United States Court of Appeals

for the Second Circuit

APPENDIX

ORIGINAL

PLEASE RETURN TO
RECORDS ROOM

77-7169

IN THE

United States Court of Appeals

For the Second Circuit

UNITED STATES COURT OF APPEALS
FILED
JUL 15 1977
A. DANIEL FUSARO, CLERK
SECOND CIRCUIT

No. 77-7169

ABNER HARKAVY,

Plaintiff-Appellant,

—against—

APPAREL INDUSTRIES, INC. and S. M. ELOWSKY,

Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

JOINT APPENDIX

EXHIBIT VOLUME—Pages 167a-246a

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PLAINTIFF'S EXHIBIT 1
AGREEMENT DATED MARCH 10,1969 BETWEEN
APPAREL INDUSTRIES, INC. AND VARIOUS STOCKHOLDERS
IN CONNECTION WITH A PLAN OF REORGANIZATION

AGREEMENT, made this 10th day of March 1969, between:

SAMUEL M. ELOWSKY,
residing at 50 Central Park South,
New York, New York
(hereinafter called "Elowsky");

HANNAH ROSEN TENENBAUM,
residing at 110-11 Queens Boulevard,
Forest Hills, New York
(hereinafter called "Hannah");

MAX D. JAFFE,
residing at 75 Dickinson Place,
Great Neck, New York
(hereinafter called "Jaffe");

HAROLD J. ROSEN,
residing at 95 Lawrence Avenue,
Lawrence, New York,
individually, as Trustee, and as
Custodian for Sheldon Rosen and
Vicki Rosen
(hereinafter called "Harold");

SYLVIA SMOOK,
residing at 44 Searing Street,
Rockville Center, New York,
individually, as Trustee and as
Custodian for Richard Smook and
Diane Smook
(hereinafter called "Smook")

said parties being hereinafter for brevity sometimes hereinafter collectively referred to as "Shareholders" and individually as "Shareholder"; and

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
DEC 28 1976

APPAREL INDUSTRIES, INC., a New York corporation, having its principal place of business at 1407 Broadway, New York, New York (hereinafter called "Apparel").

W I T N E S S E T H :

WHEREAS, Elowsky and others are the owners and holders of issued and outstanding shares of Apparel; and

WHEREAS, Hannah, Jaffe, Harold and Smook will acquire common shares of Apparel in accordance with an agreement and Plan of Reorganization, simultaneously executed herewith; and

WHEREAS, for the purposes of this Agreement, Hannah, Harold and Smook are hereinafter sometimes referred to as the "Rosen Group"; and

WHEREAS, Harold J. Rosen will acquire common shares of Apparel in his capacity as Trustee for the benefit of, and as custodian for, his children, Sheldon Rosen and Vicki Rosen; and

WHEREAS, Sylvia Smook will acquire common shares of Apparel in her capacity as Trustee for the

benefit of, and as custodian for, her children, Richard Smook and Diane Smook; and

WHEREAS, the Shareholders believe it to be for their best interests and for the best interests of Apparel and its subsidiaries to impose certain restrictions and obligations on themselves and each of them and the shares owned and held by them, or to be acquired by them.

NOW, THEREFORE, it is mutually agreed as follows:

1. Definition

For the purposes of this Agreement:

(a) The word "shares" or "shareholdings" shall mean the capital stock of Apparel presently outstanding or hereafter issued by Apparel.

(b) Wherever the words "Shareholders" or "Shareholder" appear, it shall be deemed to include the nominal holder as well as the beneficial owner thereof.

2. Directors

The Board of Directors of Apparel shall consist of six (6) members. During a period of two years

from the date hereof, each Shareholder covenants and agrees with each other to vote his, her or their shares to elect Samuel M. Elowsky and his two nominees, and Harold J. Rosen, Hannah R. Tenenbaum and Max D. Jaffe, as Directors of Apparel. In the event Samuel M. Elowsky dies, his nominee directors then acting shall have the right to nominate a director in place of Samuel M. Elowsky, to hold office until all of the shares of Samuel M. Elowsky and his family owning and holding shares are purchased and fully paid for as hereinafter provided. In the event Apparel sells shares of its common stock or other securities to the public, the Board of Directors shall be increased to seven (7) members, the seventh member to be an individual nominated by the Underwriter for a period of time stipulated in the Underwriting Agreement or Agreements.

3. Officers

The parties hereto agree that the officers of Apparel shall be:

Chairman of the Board	- S. M Elowsky
President	- S. M. Elowsky
Executive Vice President	- Max D. Jaffe
Vice President	- Harold J. Rosen
Treasurer	- Max Dannenberg
Secretary	- Max Dannenberg

4. Registration of Shares

Each of the individual parties hereto covenant and agree with each other and with Apparel tnat the shares of Apparel held by each of them and any additional shares that may be hereafter acquired through share dividends or otherwise, or any shares whatsoever that may be issued in replacement thereof during the continuance of this Agreement, shall be held by them and each of them, subject to the terms and conditions of this Agreement.

5. Sale or Transfer

Except as herein provided in paragraph "6", during the continuance of this Agreement, each of the Shareholders of the Rosen Group and Jaffe hereto agrees for himself, herself, his heirs, distributees

and personal representatives, that he, she or they will not, without the written consent of the other Shareholders hereto, sell, offer for sale, assign, transfer, hypothecate, pledge, encumber or otnerwise dispose of his, her or their shares of capital stock of Apparel, except as set forth in this Agreement.

6.

Nothing in this Agreement contained shall prevent any Shareholder herein from disposing of any interest in shares owned by him or her, to his or her spouse, his or her issue, members of his or her immediate family, or assigning or transferring the same in trust for the benefit of his or her spouse or any of his or her issue, or to a custodian for minor issue under the gifts to minors acts.

Simultaneously with the transfer of such shares of Apparel, as herein provided, any transferee or transferees so acquiring any such shares, shall agree to receive and hold such transferred shares, subject to, and be bound by, all the terms, covenants and conditions of

this Agreement, as if such transferee was originally named herein and a signatory party hereto.

Upon receipt of satisfactory proof of the relationship of the proposed transference, and only after said transference has executed this Agreement or a counterpart thereof, Apparel is authorized to transfer such shares accordingly.

7. Lifetime

(a) In the event that any Shareholder desires to sell, assign, pledge, hypothecate, or in any manner dispose of his or her shares or if he or she shall terminate his or her employment with his or her Employer, namely, a subsidiary of Apparel Industries, Inc.) he or she shall first offer, in writing, all of his or her shares to Apparel at a price and upon terms of payment mutually agreeable between the offering Shareholder and Apparel.

(b) Apparel shall have a period of 20 days from date of such offer of sale, within which to accept or refuse the offer. Should Apparel refuse to purchase the shares so offered, within the aforestated

period, then the offeror Shareholder shall forthwith reoffer such shares for sale to the other Shareholders, parties to this Agreement, at the identical purchase price and terms of payment as heretofore first offered to Apparel.

(c) Each of such offeree Shareholders shall be entitled to purchase the shares so offered in the same proportion to the total number being reoffered as each offeree Shareholder's then number of shares bears to the then total number of shares owned and held by all of the offeree Shareholders. Such offeree Shareholders shall have a period of 20 days from date of mailing of such notice of reoffer, within which to accept or refuse the offer.

(d) Subject to the provisions of subdivision (e) below, any unaccepted shares shall then be reoffered at the same purchase price as provided above, to each offeree Shareholder who accepted such offer, in the same proportion to the total number of unaccepted shares then being reoffered as each accepting offeree's then number of shares bears to the then total number of shares owned by all of

7.(a) Notwithstanding anything to the contrary herein, in the event that any Shareholder who is an employee of Apparel shall be discharged, or if such cessation of employment was as a result of a reduction in the employee's basic salary theretofore paid to him, such Shareholder employee shall have the right to offer for sale all of his shares of Apparel owned by him, and Apparel irrevocably agrees to purchase such shares so offered at the purchase price equal to the book value (as hereinafter defined) as follows:

(i) If the offer is made between January 1st and March 31st, then the book value is determined as of March 31st;

(ii) If the offer is made between April 1st and June 30th the book value is determined as of June 30th;

(iii) If the offer is made between July 1st and December 31st, the book value is determined as of December 31st.

In the event of any lifetime sale of shares hereunder, payment of the purchase price shall be made as follows:

25% thereof ninety (90) days after the applicable date of valuation;

25% thereof six (6) months after the applicable date of valuation;

25% thereof twelve (12) months after the applicable date of valuation;

25% thereof eighteen (18) months after the applicable date of valuation.

the accepting offeree Shareholders. The accepting offeree Shareholder or Shareholders shall have a period of days from the date of the mailing of such further reoffer within which to accept or refuse all of such unaccepted shares so reoffered.

(e) In the event all of the offered shares of the offeror Shareholder shall not be purchased, then in such event, the offeror Shareholder shall have the option to refuse to sell only a part of his or her shares so offered for sale, and the offeror Shareholder and members of his or her family unit then owning and holding shares of capital stock of Apparel, shall be free for a period of six months from the date of the mailing of the last reoffer, to sell to others, his, her or their shares that were refused to be purchased, or all of the offered shares should the offeror have refused to sell only a part of his or her shares, at a price no lower than the offering price to Apparel or to the Shareholders as hereinabove provided in subdivisions (a) - (d), free from the restrictions of this Agreement. However, at the end of such six month period, if such shares shall not

have been sold, any subsequent sale or transfer shall again be subject to all the restrictions of this Agreement and such shares shall not thereafter be sold or transferred witnout again being offered first to Apparel and then to the Shareholders, in the same manner as hereinabove provided in this paragraph "7".

(f) Every offer and reoffer shall be in writing, sent by certified mail, to Apparel or the other Shareholders of Apparel, parties to this Agreement, who are then owners and holders of shares of Apparel, as the case may be. Such offer or reoffer shall state the number of shares of Apparel being offered or reoffered for sale and the price per share.

(g) The purchase price of the offered shares purchased by Apparel and/or the Shareholders, as hereinabove set forth, shall be paid either, (i) in cash simultaneously with the delivery of the shares of Apparel so sold, duly endorsed, with transfer tax stamps affixed thereto, or, (ii) in such other manner as shall be mutually agreed upon between the offeror and Apparel and/or the purchasing

Shareholder or Shareholders, as the case may be.

8. Resignations and Termination of Employment

With the transfer or the shares and the full payment of the purchase price thereof, the offeror shall simultaneously execute and deliver to Apparel, his or her resignation as officer and/or director of Apparel and any of its subsidiaries, and the resignation of any officer or director who may then be acting as the nominee or designee of the offeror whose shares are being sold and purchased; and likewise, any employment agreement with Apparel or any of its subsidiaries of any party whose shares are being sold and purchased, or, the employment agreement of any designee or nominee of such offeror shall, ipso facto, be cancelled and terminated simultaneously with the sale and transfer of such stock.

9. Death of Elowsky

Upon the death of Elowsky (hereinafter called "decedent"), this Agreement as to said decedent and his personal representatives shall constitute an irrevocable

agreement to sell and transfer to Apparel, and Apparel hereby irrevocably agrees to purchase from decedent and his personal representatives, all shares of Apparel then owned and held by decedent, his spouse, his issue (including children of issue), whether held in such child's name or by a custodian for his benefit, at the purchase price and terms of payment hereinafter set forth:

(a) If Elowsky shall die after the execution of this Agreement and prior to January 1, 1970, the purchase price of such shares shall be equal to value per share determined as of March 31, 1969 (Audit Date) under the Plan of Reorganization.

(b) If Elowsky shall die after December 31, 1969, then the purchase price shall be determined in the following manner:

(i) If death of Elowsky occurs between January 1st and June 30th of any calendar year, the "book value" (as hereinafter defined) of each share shall be determined as of December 31st of the prior calendar year.

(ii) If death of Elowsky occurs between

July 1st and December 31st of any calendar year, the "book value" (as hereinafter defined) of each share shall be determined as of December 31st of such calendar year.

(c) The purchase price shall be payable in the following manner:

(i) 15% of the purchase price within 60 days after the death of decedent. For the purposes of calculating the amount, the purchase price may be estimated.

(ii) 25% of the purchase price Aug months after decedent's death.

(iii) 15% of thepurchase price Tudor months after decedent's death.

(iv) 25% of the purchase price February months after decedent's death.

(v) The remaining balance of the purchase price 24 months after decedent's death.

10. Provisions relating to the death of Hannah

Rosen Tenenbaum, Harold J. Rosen, Sylvia Smook or Max D. Jaffe.

Upon the death of either Hannah Rosen Tenenbaum, Harold J. Rosen, Sylvia Smook or Max D. Jaffe (hereinafter in this paragraph called "decedent"), this Agreement as to such named decedent and his or her personal representatives shall constitute an irrevocable agreement to sell and transfer to Apparel, and Apparel hereby irrevocably agrees to purchase from the personal representatives of the estate of such named decedent, all shares of Apparel at the purchase price and upon the terms of payment hereinafter set forth.

Upon the death of any of the above named Shareholders there shall be included in such sale, with the same force and effect as if he or she shall have offered his or her shares for sale, any shares owned by such named decedent's spouse, his or her issue, any shares held by Trustee for the benefit of decedent's spouse or issue or any shares held by a custodian under the gifts to minors act for the benefit of minor issue of decedent.

The purchase price of such shares of decedent,

members of his family, custodian for the benefit of decedent's minor children, shall be equal to the book value per share determined at the applicable date hereinafter set forth:

(i) If death of named decedent occurs between January 1st and June 30th of any calendar year the "book value" (as hereinafter defined) of each share shall be determined as of December 31st of the prior calendar year.

(ii) If death of named decedent occurs between July 1st and December 31st of any calendar year, the "book value" (as hereinafter defined) shall be determined as of December 31st of such calendar year.

(iii) The purchase price shall be payable in the following manner:

(a) 15% of the purchase price within [illegible] days after the death of the named decedent.

(b) 25% of the purchase price [illegible] months after decedent's death.

(c) 15% of the purchase price [illegible] months after decedent's death.

(d) 25% of the purchase price [illegible] months after decedent's death.

(e) The remaining balance of the purchase price 24 months after death of the named decedent.

The purchase price shall be payable pro rata to the Shareholders so selling their shares of Apparel.

11. Book Value

"Book Value" as used in this Agreement shall mean the book value or the shares of Apparel as of the applicable date, determined by the accountants then servicing Apparel. Such determination shall be made in conformity with generally accepted accounting principles applied on a consistent basis and present fairly the financial condition of Apparel and its subsidiaries as the applicable date and the results or its operations for applicable year ended.

(a) Inventory shall be valued at cost or market, which ever is lower.

(b) No valuation of any kind shall be made for good will, trade name, or any other intangible asset.

(c) All machinery, fixtures and equipment shall be taken at the net book value.

(d) Real estate and any interest in real estate and improvements thereon shall be valued at net book value.

(e) Marketable securities, if any, shall be stated at the market value thereof.

(f) All other assets and liabilities, including accrued taxes, shall be stated in accordance with sound accounting practice.

(g) The Corporation's investments in other companies (herein referred to as "subsidiaries") shall be valued on the basis of a certified balance sheet as determined by the accountants servicing Apparel, as of the applicable date, in accordance with generally accepted accounting principles as herein provided in subdivisions (a) to (f) inclusive.

12.

In the event of any sale of shares, pursuant to this Agreement, the closing shall take place at the office of Apparel, or at such other place as is mutually agreed upon, within 60 days after the acceptance of either,

(i) An offer to sell, or

(ii) Sale in case of death of any of the Shareholders, as provided in paragraphs " 9 " and " 10 " as the case may be.

13.

In case of the sale upon the death of an individual Shareholder, as hereinabove provided in paragraph 5 " 9 " and " 10 ", the deferred instalments of the purchase price shall be evidenced by Apparel executing and delivering to the seller or sellers a series of negotiable Promissory Notes (hereinafter called "Notes"), each such Note to be dated as of the date of closing, with interest at the rate of 5% 6½ per cent per annum, payable with each Note, such Note shall contain a provision that any default in the payment of

such Notes or of any interest continues for a period of 30 days, then at the option of the holder thereof all of the remaining unpaid Notes shall become due and payable, notwithstanding their tenor. Apparel shall have the right to prepay any one or more of such Notes in full, in inverse order of their maturity date, with interest to the date of such prepayment and such prepayment shall not in any way alter the terms, provisions or conditions of this Agreement.

Pending the full payment or the purchase price, the shares of stock so purchased, duly endorsed with all requisite transfer tax stamps affixed thereto shall be deposited in escrow with a bank or individual mutually agreeable, as collateral security to secure the payment of the remaining unpaid Notes. Upon payment in full of all of the Notes hereby secured the escrowee shall deliver to Apparel the shares held in escrow as collateral security for such payment. In the event Apparel defaults in the payment of any of the Notes given in payment of the purchase price, and such default is not cured as hereinabove

provided, the escrowee shall deliver all or said shares to the seller or sellers as the case may be, and Apparel hereby authorizes the seller or sellers to sell or dispose of said collateral security or any part or parts thereof, at public or private sale, at which the seller or sellers may be the purchaser or purchasers and to hold Apparel liable for any deficiency remaining unpaid after such application, and to pay over the surplus, if any, to the seller or sellers.

14.

If Apparel shall not have sufficient surplus to permit it lawfully to purchase all of the shares, or, if at the due date of any installment payments of the purchase price, Apparel does not have sufficient surplus out of which to pay such installment, all Shareholders shall promptly take such measures to vote their respective shares to reduce the capital of Apparel or to take such other steps as may be appropriate or necessary to enable Apparel to lawfully purchase and pay for the shares to be purchased.

15. Transferability of Stock

Apparel hereby agrees to perform any and all acts herein provided for it to be performed and further agrees not to transfer on its books and not to issue any certificates for shares of capital in lieu of those held by any Shareholder, party to this Agreement, whether initially named herein or who hereafter executes this Agreement by endorsement, unless each and every condition of this Agreement shall have been complied with, and that it will refuse to recognize any alleged assignee, transferee, pledgee or mortgagee who shall not have acquired his or her rights in accordance with the terms, provisions and conditions of this Agreement.

16. Modification

It is further specifically understood and agreed that no modification of this Agreement shall be valid except with the written consent of all of the parties hereto.

17. Endorsement

It is agreed that every certificate of shares

issued by Apparel to any Shareholder, party to this Agreement, whether initially named herein or who hereafter executes this Agreement by endorsement, shall during the continuance of this Agreement, bear the following statement legibly endorsed upon the certificate:

> "The ownership of this certificate of share is held subject to the terms of an Agreement between Samuel M. Elowsky, et al., and Apparel Industries, Inc. dated the 10th day of March, 1969. Such holder or owner agrees to be bound by all the terms, provisions and conditions of this Agreement. In addition to the other restrictions in said Agreement, no dividend shall be paid on any share transferred, pledged, assigned or encumbered in breach of this Agreement."

18. Construction

This Agreement shall be construed and administered according to the laws of the State of New York and the rights and obligations of all persons interested or claiming hereunder shall, at all times, be regulated under the laws of the State of New York, notwithstanding that any Shareholder, party to this Agreement, may now be domiciled elsewhere than in the State of New York.

19. Specific Performance

It is recognized by all the parties hereto that

this Agreement is of particular importance for the protection of the existing and future interests of Apparel and that the situation is, and will necessarily be such, that in case of a breach by any Shareholder, party to this Agreement, whether initially named herein or who hereafter executes this Agreement by endorsement, a claim for damages will not constitute an adequate remedy; and it is also recognized that the shares in question are not for sale upon the market, but is closely held, and that this Agreement, therefore, relates to personal property which is of so unique and unusual a nature as to make it necessary for the protection of the parties hereto that if any breach should arise, the specific performance of this Agreement will be the only adequate remedy; and it is, therefore, distinctly covenanted and agreed between the Shareholders, parties to this Agreement, and Apparel, that the remedy of specific performance shall be applicable and that no objection to the form of the action or to the relief asked in any action for specific performance shall be raised, and such relief may be obtained by any party hereto in case of any breach.

Notwithstanding anything to the contrary in paragraph 20 of this Agreement, it is agreed between the parties hereto that S.M.Elowsky shall have the right at any time prior to January 1, 1970 to sell, transfer or dispose of common shares of Apparel owned by him or his family up to the number of 20,000 common shares, as he in his sole discretion shall determine.

20. It is agreed between the parties that at any time after April 1, 1970, upon request of Samuel M. Elowsky, Apparel shall redeem, acquire or purchase from the present Shareholders of Apparel or their transferees (other than Hannah, Jaffe, Harold or Smook or their transferees) common shares to the extent of the amount of $ 473 000.— Each of the parties hereto agree to vote their respective shares and agree to take all other steps as shall be appropriate or necessary in order to enable Apparel to redeem, acquire or purchase such shares. It is further agreed that Apparel shall give to Rosen and Jaffe in behalf of the Rosen Group ninety (90) days prior notice of any such redemption, acquisition or purchase. The redemption price for each such common share to be so redeemed or acquired or purchased shall be equal to the "book value" (as herein defined) at the end of the calendar quarter in which such notice is given.

21. Execution

This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument.

22.

In the event of a public issue of Apparel common shares, and if the Shareholders to this Agreement are at such time Apparel Shareholders, it is agreed by the parties hereto that if the public issue to be, in part or in whole, an offering of common shares of Apparel, it may include the shares of the Shareholders to this Agreement.

23. Termination of Prior Agreements

This Agreement supersedes all previous agreements and arrangements between the Shareholders and Apparel, whether oral or in writing.

25. Marginal References

Titles for paragraphs are for general information only and this Agreement is not to be considered as modified by reason thereof.

26. Benefit

Except as herein otherwise provided, this Agreement shall be binding upon the parties hereto, their respective heirs, distributees, executors, administrators, personal representatives, successors and assigns.

ADDENDUM to Agreement dated the 1st day of , 1969, between: SAMUEL M. ELKOSKY, HANNAH ROSEN TIEBENBAUM, MAX D. JAFFE, HAROLD J. ROSEN, SYLVIA SMOOK and APPAREL INDUSTRIES, INC.

Any dispute, controversy or claim arising out of, or in connection with, this agreement shall be settled by arbitration in accordance with the rules then obtaining of the American Arbitration Association. Such arbitration shall be held in the Borough of Manhattan, City and County of New York, and shall be subject to the jurisdiction of the Supreme Court of the State of New York, in and for the County of New York. Confirmation of any award of any such arbitration may be had in the Supreme Court for the State of New York, County of New York, or in any court having jurisdiction of the person or persons against who such award is rendered. Any notice of any such arbitration or for the confirmation of any award in any such arbitration shall be sufficient if given in accordance with the provisions of this Agreement.

Morrison and Sylvan shareholders jointly and severally agree that at any time after the closing, they will execute and deliver to Apparel any and all documents and other papers that may be required to carry out the intentions of this agreement and all of the transactions herein contemplated.

IN WITNESS WHEREOF, Apparel has caused these presents to be executed by its duly authorized officer and its corporate seal to be hereunto affixed, and the individual parties hereto have set their hands and seals, the day and year first above written.

_____ (L.S.)
Samuel M. Elowsky

_____ (L.S.)
Hannah Rosen Tenenbaum

_____ (L.S.)
Max D. Jaffe

_____ (L.S.)
Harold J. Rosen, individually, as Trustee and as Custodian for Shelden Rosen and Vicki Rosen.

_____ (L.S.)
Sylvia Smook, individually, as Trustee and as Custodian for Richard Smook and Diane Smook.

APPAREL INDUSTRIES, INC.

By _____

ATTEST:

_____

PLAINTIFF'S EXHIBIT 2
PRELIMINARY PROSPECTUS OF APPAREL INDUSTRIES INC.
DATED NOVEMBER 29,1972

PRELIMINARY PROSPECTUS DATED NOVEMBER 29, 1972

PROSPECTUS

196 *a*

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

250,000 Shares

APPAREL INDUSTRIES, INC.

COMMON STOCK

($.10 par value)

Prior to this offering there has been no public market for the Common Stock of the Company. The public offering price was determined by negotiations between the Company, the Selling Stockholders and Edwards & Hanly Securities, Inc., the Representative of the Underwriters.

Of the shares offered hereby, 180,000 shares are being purchased from the Company and 70,000 shares from the Selling Stockholders. See "Principal and Selling Stockholders". The Company will not receive any of the proceeds from the shares being sold by the Selling Stockholders.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company(2)	Proceeds to Selling Stockholders(2)
Per share	$	$	$	$
Total minimum	$	$	$	$
Total maximum(3)	$	$	$	$

(1) Includes $20,000 ($.08 per share) non-accountable expense allowance payable to Edwards & Hanly Securities, Inc. See "Underwriting" for information concerning additional Underwriters' compensation, including potential profits from the exercise of warrants to be sold to Edwards & Hanly Securities, Inc.

(2) Before deducting estimated expenses of $ ($ per share), which are payable pro rata by the Company and the Selling Stockholders.

(3) Assuming exercise of over-allotment option of 25,000 shares in full. See "Underwriting—Over-Allotment Option".

See "Dilution", page 3, for the extent of immediate substantial dilution in the book value of the Common Stock from the public offering price.

The shares are offered when, as and if delivered to and accepted by the Underwriters, subject to prior sale, to withdrawal without notice, to approval of counsel, to the right to reject any order in whole or in part, and to certain other conditions.

EDWARDS & HANLY

SECURITIES, INC.

The date of this Prospectus is , 1972

PROSPECTUS SUMMARY

This page is a summary of certain information contained in the body of this Prospectus. More detailed information is contained elsewhere in this Prospectus.

THE OFFERING

Issuer	Apparel Industries, Inc.
Type of Security Offered	Common Stock
Shares Sold by the Company	180,000 Shares
Shares Sold by the Selling Stockholders	70,000 Shares
Shares of Common Stock to be Outstanding	900,000 Shares
Shares of 5% Cumulative Preferred Stock Outstanding	19,696 Shares
Net Minimum Proceeds to the Company	$
Use of Proceeds	To pay bank debt, to expand warehouse facilities, to pay notes to former stockholders and for working capital.

THE COMPANY

Business	Designs, manufactures and sells a diversified line of medium priced junior and misses sportswear and knitwear.
Employees	150
Location of Facilities	New York City

FINANCIAL STATISTICS

	Year Ended December 31,					Eight Months Ended August 31,	
	1967 (unaudited)	1968 (unaudited)	1969	1970	1971	1971 (unaudited)	1972
Net sales	$8,581,090	$7,745,550	$6,501,427	$6,947,866	$13,343,814	$7,353,557	$10,937,321
Net income (loss) to common stockholders*	145,781	(101,733)	(234,458)	255,699	426,521	235,748	678,516
Income (loss) per common share*	.03	(.02)	(.05)	.07	.59	.32	.94

* After extraordinary credits. See "Consolidated Statement of Operations," p. 6.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE COMPANY

Apparel Industries, Inc. is engaged through its wholly-owned subsidiaries in the design, manufacture and sale throughout the United States of a diversified line of medium priced sportswear and knitwear in a variety of woven and knitted fabrics, including wool, cotton and synthetics, which it designs for the junior and misses contemporary markets. The Company's products are sold to more than 3,500 active retail accounts throughout the United States, including department stores and specialty shops. Approximately 37% of the garments sold by the Company in 1971 were produced in the Far East, while the remainder was primarily produced in the United States. See "Business—Economic Stabilization and Related Developments".

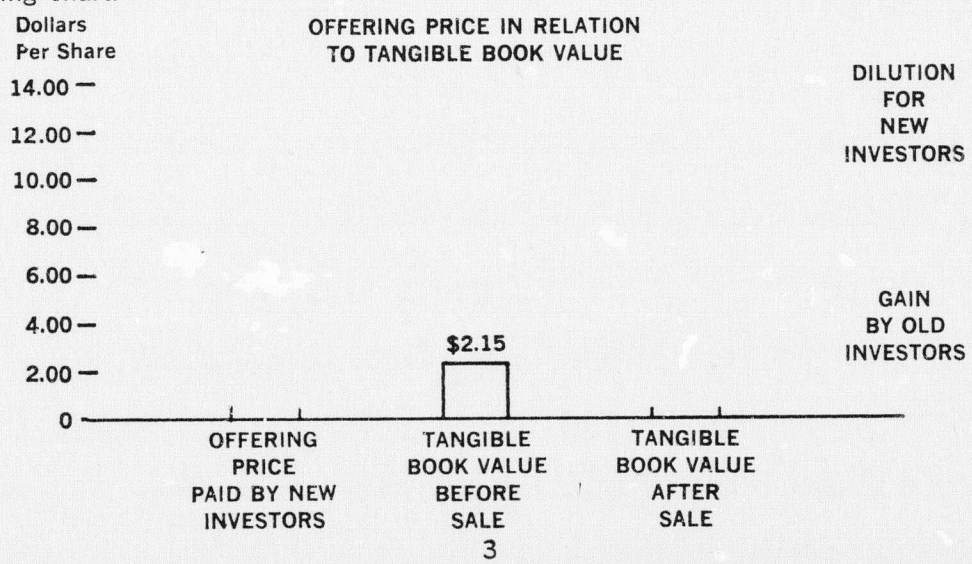
The term "Company" as used herein means Apparel Industries, Inc. incorporated in New York in 1946 and its wholly-owned subsidiaries, Sporteens, Inc., Gotham Knitting Mills, Inc. and Morrison Knitwear Co., Inc., (merged into Gotham Knitting Mills, Inc. in November 1972) and its predecessors. The executive offices of the Company are located at 1407 Broadway, New York, New York 10018 (Tel. No. 212-354-8900).

Prior to this offering, the officers and directors and their families as a group owned 100% of the issued and outstanding Common Stock of the Company. After the sale to the public (assuming the over-allotment option is not exercised) the officers and directors and their families will own 650,000 shares or 72.2% of the issued and outstanding Common Stock. As a result of such stock ownership such officers and directors will be in position to control the policies of the Company. See "Management" and "Principal and Selling Stockholders".

On November 24, 1972 each share of Common Stock, $1 par value, then outstanding was changed into nine shares of Common Stock, $.10 par value. Unless otherwise indicated, all information per share and numbers of shares herein give effect to such change.

DILUTION

As of August 31, 1972, the Company's Common Stock had a tangible book value of $2.15 per share. After the sale of the shares offered hereby, the Common Stock will have a tangible book value of $ per share. Therefore, the purchasers of the shares offered hereby will incur an immediate tangible book value dilution of $ per share and the present stockholders will receive an immediate tangible book value benefit of $ per share which results entirely from the sale of the shares offered hereby. The extent of this dilution is illustrated in the following chart:



USE OF PROCEEDS

The net proceeds to the Company from the sale of 180,000 shares of Common Stock being sold by it are estimated at $. The Company intends to use such net proceeds in the following approximate amounts:

(a) $1,000,000 will be used to repay short-term bank borrowings which were incurred primarily for the financing of increased levels of inventories and accounts receivable (See "Business—Financing Arrangements");

(b) $100,000 will be used to pay expenses in connection with the contemplated expansion of warehousing and distribution center facilities (See "Property");

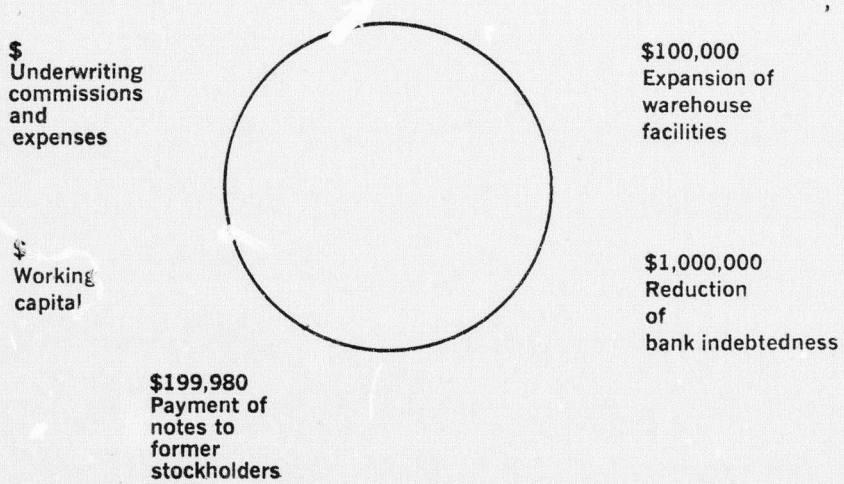
(c) $199,980 will be used to pay notes payable to former stockholders due February 1973 (See "Capitalization" and "Certain Transactions"); and

(d) the balance of $ will be added to working capital and used for general corporate purposes.

To the extent the over-allotment option is exercised, any additional net proceeds to the Company will be added to working capital to be used for general corporate purposes. To the extent that any proceeds are not so used immediately they may be invested in short-term government or government guaranteed obligations, or bank certificates of deposit. The Company anticipates that additional bank borrowings may be required to finance increased levels of inventories and accounts receivable during peak sales periods.

The Company will not receive any portion of the proceeds from the sale of shares by the Selling Stockholders.

The following chart illustrates the principal uses of the proceeds of this offering by the Company:



CAPITALIZATION

The following table sets forth the capitalization of the Company as of October 31, 1972 and as adjusted to reflect the the sale of shares of Common Stock offered by the Company hereby and the application of a portion of the proceeds therefrom.

	Outstanding October 31, 1972	As Adjusted
Short-Term Debt(1)		
Notes Payable to bank	$1,100,000	$ 100,000
Bank Acceptances	$1,125,534	$1,125,534
Notes Payable to former stockholders due February 1973	$ 199,980	$ —
Long-Term Debt		
Notes Payable to former stockholders due January 1974	$ 200,000	$ 200,000
6% Mortgage Note payable in installments to 1983	$ 92,230	$ 92,230
2¾% Mortgage Note payable in installments to 1983	$ 75,475	$ 75,475
Capital Stock		
5% Cumulative Preferred Stock, $25 par value (authorized 20,000 shares)	19,696 shs.	19,696 shs.
Common Stock, $.10 par value (authorized 2,000,000 shares)(2)	720,000 shs.	900,000 shs.

(1) See "Use of Proceeds" and "Business—Financing Arrangements".

(2) Excludes 63,000 shares reserved for issuance as follows: 25,000 shares under the Company's Qualified Stock Option Plan; 20,000 shares issuable upon exercise of Warrants to be issued in connection with this offering; and 18.000 shares subject to the over-allotment option. See "Management—Qualified Stock Option Plan" and "Underwriting".

See "Property" and Note H of Notes to Financial Statements of the Company for information concerning the Company's lease obligations.

APPAREL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

The following consolidated statement of operations of Apparel Industries, Inc. and subsidiaries has been examined by Ernst & Ernst, independent accountants, for the eight month period ended August 31, 1972, and by Rogoff & Chanin, P. C., independent accountants, for the three years ended December 31, 1971 as set forth in their reports included elsewhere herein. The consolidated statement of operations for the two years ended December 31, 1968, and for the eight month period ended August 31, 1971 has not been examined by independent accountants; however, in the opinion of management of the Company the statement includes all adjustments (comprising only normal recurring accruals) necessary to present fairly the results of operations for such unaudited periods. The results of operations for the eight month period ended August 31, 1972 are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 1972. This statement should be read in conjunction with the accountants' reports and other financial statements and notes related thereto included elsewhere herein.

	Year Ended December 31,					Eight Month Period Ended August 31,	
	1967	1968	1969	1970	1971	1971	1972
	(unaudited)	(unaudited)				(unaudited)	
Net sales(1)	$8,581,090	$7,745,550	$6,501,427	$6,947,866	$13,343,814	$7,353,557	$10,937,321
Costs and expenses (10):							
Cost of sales(2)	6,585,287	6,224,331	5,374,645	5,301,577	10,043,887	5,552,542	7,456,332
Selling, shipping, general and administrative(3)	1,826,682	1,568,874	1,328,753	1,336,756	2,270,157	1,294,878	1,836,759
Interest, principally short-term	53,976	47,971	24,410	13,983	62,462	42,818	39,163
Depreciation and amortization(4)	44,322	38,793	33,134	19,489	26,729	16,300	24,146
	8,510,267	7,879,969	6,760,942	6,671,805	12,403,235	6,906,538	9,356,400
	70,823	(134,419)	(259,515)	276,061	940,579	447,019	1,580,921
Other income (deductions):							
Interest and other	31,642	32,887	7,325	10,160			
Joint venture income (loss)(5)	84,143	(13,143)	3,000	455			
	115,785	19,744	10,325	10,615			
Income (loss) before income taxes and extraordinary credits	186,608	(114,675)	(249,190)	286,676	940,579	447,019	1,580,921
Income taxes(6):							
Federal (credit)	72,220	(6,994)		114,434	380,748	169,000	649,942
State and local	22,607	18,349	22,223	34,731	151,598	77,099	239,790
	94,827	11,355	22,223	149,165	532,346	246,099	889,732
Income (loss) before extraordinary credits	91,781	(126,030)	(271,413)	137,511	408,233	200,920	691,189
Extraordinary credits(7)	54,000	24,297	36,955	118,188	56,795	60,500	13,000
Net income (loss)(1)	145,781	(101,733)	(234,458)	255,699	465,028	261,420	704,189
Less: Dividends on Preferred Stock					38,507	25,677	25,673
Net income (loss) to common stockholders	$ 145,781	$ (101,733)	$ (234,458)	$ 255,699	$ 426,521	$ 235,743	$ 678,516
Average number of common shares outstanding (8)	4,722,165	4,669,740	4,561,155	3,718,944	720,000	720,000	720,000
Income (loss) per common share(8):							
Income (loss) before extraordinary credits	$ .02	$ (.03)	$ (.06)	$ .04	$ .51	$ .24	$ .92
Extraordinary credits	.01	.01	.01	.03	.08	.08	.02
Net income (loss)	$ .03	$ (.02)	$ (.05)	$ .07	$ .59	$ .32	$ .94

APPAREL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS

(1) The consolidated statement of operations includes the operations of the Company and its subsidiaries, all of which are wholly-owned, after elimination of all intercompany transactions.

On March 10, 1969 the Company acquired all of the outstanding capital stock of Morrison Knitwear Co., Inc. and Sylvan Knitwear Mills, Inc. (subsequently merged into Morrison), manufacturers of ladies' knitwear, in exchange for 122,791 shares of the Company's then existing Common Stock. This transaction was accounted for as a pooling of interests, and accordingly the consolidated statement of operations includes the operations of the acquired companies for all periods included therein. The following tabulation sets forth the respective net sales and net income (loss) of the Company and the pooled businesses for the years ended December 31, 1967 and 1968.

	1967 (unaudited)	1968 (unaudited)
Net sales of Company as originally reported	$4,758,746	$4,112,086
Pooled businesses	3,822,344	3,633,464
Net sales as above	$8,581,090	$7,745,550
Net income of Company as originally reported	$ 131,067	$ 63,062
Pooled businesses (loss)	14,714	(164,795)
Net income (loss) as above	$ 145,781	$ (101,733)

(2) No physical inventories were taken by the Company as of August 31, 1971. Inventories at that date, entering into the computation of cost of sales for the eight month period ended August 31, 1971 (unaudited), were computed by management on the basis of estimated gross profit percentages derived from prior experience or calculated from tests of sales invoices, purchase invoices or other data.

(3) Selling, shipping, general and administrative expenses include provisions for doubtful accounts in the amount of $8,721, $11,010, $27.765, $1,370 and $104,269 for each of the five years ended December 31, 1971, respectively, and $60,899 and $106,820 for the eight month periods ended August 31, 1971 and 1972, respectively.

(4) Depreciation and amortization of building, equipment and leasehold improvements has been provided in the consolidated statement of operations using straight-line and declining balance methods over the estimated useful lives of such depreciable property.

(5) Joint venture income (loss) represents a subsidiary's one-third interest in the operations of a partnership which was terminated in 1970.

(6) Federal income tax returns of the Company subsequent to December 31, 1968 are subject to Internal Revenue Service audit.

Since 1969 the Company and its subsidiaries have filed a consolidated federal income tax return; accordingly tax provisions for such periods have been provided on a consolidated basis. Tax provisions for 1967 and 1968 included the Company and the previously mentioned pooled businesses on a separate return basis. State and local income tax returns are filed by the companies individually.

Investment tax credits, not material in amount for any period have been accounted for using the flow-through method.

(7) Extraordinary credits for the five years ended December 31, 1971, and for the eight month periods ended August 31, 1971 and 1972 consist of the following:

	Year ended December 31,					Eight Month Period Ended August 31,	
	1967	1968	1969	1970	1971	1971	1972
	(unaudited)	(unaudited)				(unaudited)	
Gain on sale of fixed assets		$24,297	$36,955				
Resulting from operating loss carry-forwards	$54,000			$118,188	$56,795	$60,500	$13,000
	$54,000	$24,297	$36,955	$118,188	$56,795	$60,500	$13,000

Taxable income resulting from the gains on sales of fixed assets in 1968 and 1969 has been offset against operating losses in those years.

Extraordinary credits resulting from operating loss carry-forwards include in 1967 the application of operating loss carry-forwards from prior years and for 1970 and 1971, and the eight month periods ended August 31, 1971 and 1972, the application of 1968 and 1969 operating loss carry-forwards of Morrison Knitwear Co., Inc., a wholly-owned subsidiary (acquired March 10, 1969), to the extent this subsidiary had taxable income in 1970 and 1971, with the remaining unused portion being applied in 1972.

(8) Income (loss) per common share was computed for each period based on the average number of shares outstanding during the periods, retroactively adjusted for shares issued to effect the pooling of interests as described in note (1) to the consolidated statement of operations, and the 9 for 1 stock split and the recapitalization described in Note B of the Notes to Financial Statements.

Supplementary income (loss) per share data computed assuming 720,000 shares of Common Stock and 19,696 shares of Preferred Stock outstanding in all periods and further giving effect to adjustments for interest expense at 6%, net of applicable tax benefits, related to the funds paid in redemption of Common and Preferred Stock is as follows:

	Year ended December 31,					Eight month period Ended August 31,	
	1967	1968	1969	1970	1971	1971	1972
	(unaudited)	(unaudited)				(unaudited)	
Per share:							
Income (loss) before extraordinary credits	$ .02	$(.28)	$(.48)	$ .10	$ .52	$ .25	$ .93
Extraordinary credits	.08	.03	.05	.16	.08	.08	.02
Net income (loss)	$ .10	$(.25)	$(.43)	$ .26	$ .60	$ .33	$ .95

(9) No dividends have been declared or paid on Common Stock.

(10) Reference is also made to Notes C and J of the Notes to Financial Statements included elsewhere in this Prospectus.

The Company's results of operations for 1968 and 1969 were adversely affected by the inclusion of Morrison Knitwear Co., Inc. ("Morrison") and a related company acquired in March 1969. During 1968 and 1969 Morrison experienced manufacturing difficulties which increased its costs of production and its rate of returns from customers resulting in losses for those years.

Gross profit margins were 24.5% for the eight months ended August 31, 1971 and 31.8% for the eight months ended August 31, 1972. There can be no assurance that gross profit margins will continue to increase or remain constant in the future. The increase in margins is primarily due to (i) increased sales of the Company's "Trousers Up" line which has a higher gross profit margin than the Company's other lines, (ii) a decrease in markdowns of both the "Trousers Up" and "Miss Gotham" lines and (iii) higher shipping costs in the 1971 period due to the west coast dock strike.

Historically, the Fall (July to September) and Holiday (October to December) selling seasons produce a greater portion of the Company's revenues and net earnings than its Spring (January to March) and Summer (April to June) seasons.

BUSINESS

Products

The Company designs, manufactures and sells a wide variety of junior and misses sportswear and knitwear made of both knitted and woven fabrics. The Company's products are coordinated as to color, style and fabric so that they may be purchased and worn separately or in a variety of combinations as part of an ensemble. These products consist of shirts, sweaters, skirts, pants and jackets. The retail prices of the Company's products generally range from $5 to $40, the major portion of which ranges from $8 to $25.

Products sold under the "Trousers Up" line bear the "Trousers Up" label and are comprised of skirts, pants and jackets as well as shirts and sweaters which are made of woven and knitted fabrics. "Trousers Up" products are sold primarily to the junior and also to the misses contemporary sportswear market. Products sold under the Company's "Miss Gotham" line consist of shirts and sweaters, which are sold to the junior and misses knitwear market. The "Miss Gotham" line does not bear the Company's label and is sold at retail either unlabeled or with the label of the Company's customer.

In addition, the Company markets a limited line of sportswear and knitwear for the taller girl and larger woman, which is sold under its "Ann Marie" label. The Company through its "House of Morrison" line, also sells unbranded sportswear and knitwear to a number of leading conventional chain stores. The Company formerly sold unlabeled sportswear to the misses market under the "Sporteens" name and continues currently to sell under such name in insignificant volume.

The following table sets forth the approximate dollar amounts of net sales for each of the Company's lines of apparel for the periods indicated:

	Year Ended December 31,			Eight Month Period Ended August 31,	
	1969	1970	1971	1971	1972
Miss Gotham	$3,020,000	$3,850,000	$5,530,000	$2,735,000	$4,230,000
Trousers Up*	—	780,000	5,480,000	3,105,000	5,380,000
House of Morrison	1,800,000	1,120,000	1,440,000	1,090,000	1,050,000
Ann Marie	580,000	770,000	560,000	340,000	285,000
Sporteens	1,138,000	420,000	130,000	90,000	—

* Introduced in Fall selling season, 1970.

The success of the Company's business depends to a great degree on the ability of the Company to detect fashion trends at an early stage and to design and produce apparel which meets with current public acceptance. The Company believes that it is a fashion leader for contemporary sportswear sold under its "Trousers Up" brand label to the junior and misses market.

Style changes for each season are made by the Company's executive officers who function as its design staff, and are determined after visits to leading European fashion centers, studies of current trends reported in fashion publications and consultations with leading retailers. Three to four months in advance of each of the retail selling seasons, the Company introduces its lines to the trade. Production based on Company projections commences four to six weeks prior to the

introduction of the line and may continue into the related retail selling season. Reaction of the trade to the various items of the line is usually apparent in the first few weeks following the introduction of the line when the bulk of orders are received.

The Company's products are designed for four retail selling seasons: Fall, Holiday, Spring and Summer. In 1971 sales attributable to the Company's four retail selling seasons accounted for the following approximate percentages of sales: Fall, 31%; Holiday, 33%; Spring, 17%; and Summer, 19%.

Manufacturing

Initial production operations for goods sold by the Company under its "Trousers Up" and "Ann Marie" labels, consisting of pattern making and fabric cutting, are performed by the Company at its plant in New York City and by independent contractors. Subsequent manufacturing operations consisting of sewing, finishing and pressing as well as additional cutting are performed for the Company by various contractors located in the northeastern states. During 1971, twelve outside contractors were utilized, three of which performed approximately 50% of the total work contracted and no other contractor accounted for more than 10% of such work. With the expansion of the Company's business in 1972, additional contractors were utilized.

Approximately 85% of the apparel sold by the Company under its "Miss Gotham" and "House of Morrison" names during 1971 were purchased in the Far East directly from five foreign manufacturers and through four independent purchasing agents who contract with foreign manufacturers. The finished apparel purchased is produced pursuant to the Company's designs and specifications. The agents are compensated on a commission basis and supervise production of the finished goods. The Company also contracts directly with several manufacturers as well as through an independent purchasing agent in Europe, which, during 1971, accounted for less than 5% of the Company's total purchases under its "Miss Gotham" name. During 1971, thirteen independent foreign purchasing agents and manufacturers were utilized. One such agent accounted for approximately 54% of such purchases; no other foreign agent or manufacturer accounted for more than 15% of such purchases. The Company has no long-term arrangements with its foreign manufacturers or independent purchasing agents. Any disruption of the Company's sources of supply in the Far East could adversely affect the Company's business. See "Business—Economic Stabilization and Related Developments".

The balance of the merchandise purchased for the "Miss Gotham" and "House of Morrison" lines is manufactured domestically and consists of sweaters knit by a number of contractors pursuant to the Company's designs and specifications.

The Company has no long-term agreements with its domestic contractors or manufacturers but some of such contractors and manufacturers from time to time work principally for the Company. The Company's relations with its contractors and manufacturers have been excellent and the Company has had no difficulty in having apparel made for it by competent and responsible contractors and manufacturers.

Raw materials are checked upon receipt for quality and color. Quality control procedures are maintained during the manufacturing process both in the Company's plants and in contractors' and outside manufacturers' plants in the United States and foreign countries. In addition, the Company is licensed by the Wool Bureau to use the Woolmark and Woolblend Marks in the sale of its "Trousers Up" apparel. Under the license agreements, the Company is obligated to comply with rigorous and detailed specifications concerning the use of woolen fabrics.

Materials and Supplies

The Company's principal raw materials are woven and knitted fabrics, as well as yarns, all of which are made from a variety of natural and synthetic fibers. The Company purchases its raw materials from numerous suppliers. The two largest suppliers of the Company's fabrics and yarns accounted for approximately 28% of the dollar amount of the Company's total purchases during 1971 and during this period no other supplier accounted for more than 9% of the Company's total purchases.

The Company attempts to enter into 3 to 6 month commitments with its major suppliers to maintain price and assure delivery for the related retail selling season. Management believes that fabric manufacturing is a highly competitive field and therefor considers that many alternate sources of supply are readily available to it at competitive prices. While any substantial delay in delivery of fabrics or defects in their quality could adversely affect production schedules, the Company has not experienced significant problems in this regard.

Sales and Distribution

The Company sells its apparel nationally to approximately 3,500 retail accounts, including department stores, specialty shops and conventional chain stores. During 1971, the Company's five largest customers accounted for approximately 12% of the Company's net sales, and one customer accounted for approximately 5% of such net sales. During the eight month period ended August 31, 1972, no single customer accounted for as much as 3% of such net sales.

The Company's principal sales headquarters is located in New York City. The Company services its customers by means of 10 full time salaried salesmen in its New York City showroom and 10 independent sales representatives. The independent representatives are compensated solely on a commission basis.

Suppliers of materials sold to the Company occasionally feature the Company's products in their own advertisements, in fashion magazines and newspapers. The Company's products are also sometimes featured in its customer's advertisements. In addition, the Company advertises nationally in consumer magazines and various trade publications.

Employees

As of August 31, 1972 the Company employed approximately 150 persons of whom approximately 110 were engaged in production and shipping. The Company is a member of the Knitwear Employers Association and the National Skirt & Sportswear Mfgrs. Association and the Company's employees engaged in production and shipping are represented by various locals of the W.R.O.P.U. and I.L.G.W.U. under contracts with the Associations expiring in April and May 1973, respectively. The Company has never had a strike or work stoppage and considers its relations with its employees to be excellent.

Competition and Trademarks

The women's apparel industry is highly competitive and is composed of a large number of firms, no one of which accounts for more than a small percentage of the industry's total sales, but many of which have substantially greater sales and resources than the Company. The success of the Company's business depends to a great degree on the ability of the Company to detect fashion trends at an early stage and to design and produce apparel which meets with current public acceptance. The Company believes that it is a fashion leader for contemporary sportswear

sold under its "Trousers Up" brand label to the junior and misses market. The Company is subject to competition from both domestic and foreign manufacturers.

The Company's trademarks "Trousers Up", "Miss Gotham" and "Ann Marie" are registered with the United States Patent Office. Pursuant to Federal regulatory statutes the Company labels all of its products with instructions as to care and maintenance as well as to show the components of the fabrics employed, and complies with standards regarding the flammability of such fabrics.

Financing Arrangements

The Company's operations have been financed primarily through internal cash flow and short-term bank loans, bank acceptances and letters of credit. The Company borrows from Manufacturers Hanover Trust Company on a short-term basis at the lender's prime rate of interest, primarily to meet seasonal build-up of inventory and to finance accounts receivable. In addition, in connection with purchases abroad, the Company is obligated on bank acceptances which are generally due 90 to 120 days after shipment of the related merchandise. The Company pays a service charge of 1½% per annum on such acceptances. The Company also utilizes sight letters of credit ($698,590 as at October 31, 1972) on which it pays a service charge of ⅛ of 1% per annum. Until the beginning of November 1972, all amounts owed to the Bank were guaranteed by the Company's directors. In November 1972, the Bank agreed that such guarantees would only remain in effect for any debt in excess of $1,500,000. See "Capitalization" for further information relating to the Company's obligations to the Bank.

Economic Stabilization and Related Developments

The Company's ability to increase its prices is restricted in part by Phase II of the Federal Economic Stabilization Program. The Company believes that such controls have had no material adverse effect upon its business or the profitability of its operations but cannot predict what effect such controls or any changes therein will have in the future.

Approximately 37% of the goods sold by the Company during 1971 were produced in the Far East. In the latter part of 1971 export quotas were imposed by the governments of Hong Kong, South Korea, Taiwan and Japan on their exports to the United States. The Company does not believe that the quota system will interfere with its ability to obtain goods. The cost of imported goods in general has been increased by the devaluation of the dollar in December 1971 and related foreign currency revaluations. Neither the currency changes nor the quota system has had any significant effect on the Company's operations.

PROPERTY

The operations of the Company are conducted in owned and leased facilities as follows:

Location	Use	Approximate Sq. Feet	Expiration of Lease	Base Annual Rental
Maspeth, New York	Warehouse and shipping	40,000	Owned(1)	—
1407 Broadway New York City	Executive offices, showroom and design headquarters	8,400	January 1975	$68,100(2)
240 West 37 Street New York City	Cutting department and general offices	12,500	January 1975	$26,000(2)

(1) Subject to mortgage. See Note F of Notes to Financial Statements.
(2) In addition, the Company pays utilities and increases in real estate taxes.

The Company's Maspeth plant in which its principal warehouse and shipping facilities are located is a one story building of brick construction, and has ample parking facilities.

The Company believes its facilities and equipment are well maintained and are adequate for its present needs. However, the Company believes that continued growth will be facilitated by expansion of its warehousing and distribution facilities. The Company therefore intends to expand its warehousing and distribution facilities either through an addition to its existing facilities or by purchasing or leasing a new facility and consolidating its operations See "Use of Proceeds". No decision has been made as to the site or sites for such facilities. The Company contemplates they will be in the New York Metropolitan area.

MANAGEMENT

Executive Officers and Directors

The executive officers and directors of the Company are:

Name	Position
S. M. Elowsky	Chairman of the Board and Director
Seymour M. Bag	President, Chief Executive Officer, and Director
Harold J. Rosen	Executive Vice President and Director
Daniel A. Nisgore	Vice President and Director
Max D. Jaffe	Vice President, Treasurer and Director
Max Damashefsky	Secretary and Controller

S. M. Elowsky was a founder of the Company upon its organization in 1946 and has been associated for more than 40 years with the Company and predecessor companies which he had founded. Mr. Elowsky is a Director of the National Bank of North America and serves as the Honorary President of the National Skirt & Sportswear Mfgrs. Association.

Seymour M. Bag is the Company's Chief Executive Officer. He was associated with the Company in an executive capacity from 1946 to 1964. From 1965 to 1970 Mr. Bag served as President of Juniorite Inc. which designed, manufactured and sold junior apparel. He rejoined the Company in 1970 and became President and a Director in 1971.

Max D. Jaffe and Harold J. Rosen were each executive officers of a predecessor company, Morrison Knitwear Co., Inc., acquired in 1969 and since that time have served as officers and Directors of the Company.

Daniel A. Nisgore, prior to joining the Company in 1970, was employed by Mister Pants, Inc. in a sales capacity from 1962 to 1970. He became a Vice President and Director of the Company in 1971.

Max Damashefsky has been associated with the Company as its Controller for the last 25 years and its Secretary for the last 15 years.

The Company owns and is the beneficiary of insurance policies on the lives of certain of its officers as follows: S. M. Elowsky—$50,000; Seymour M. Bag—$225,000; Harold J. Rosen—$127,500; Max D. Jaffe—$90,000; and Daniel A. Nisgore—$90,000.

Remuneration

The following table contains information as to direct remuneration accrued during 1971 by the Company for each officer and Director who received more than $30,000 during such year and the aggregate direct remuneration for all officers and Directors as a group.

Name	Aggregate Direct Remuneration
S. M. Elowsky	$ 76,000
Seymour M. Bag	50,000
Harold J. Rosen	50,000
Daniel A. Nisgore	50,000
Max D. Jaffe	50,000
All officers and Directors as a group (6 persons)	$302,600

In November 1972 Messrs. Seymour M. Bag, Harold J. Rosen, Daniel A. Nisgore and Max D. Jaffe each entered into two year employment agreements with the Company commencing as of January 1, 1973. Each agreement provides for annual compensation of $55,000.

In November 1972 the Company entered into an employment agreement with S. M. Elowsky effective as of January 1, 1973 providing for annual compensation of $76,000 per year until December 31, 1975 at which time under certain specified conditions he will be entitled to consulting income of $25,000 per annum for a period of two years. In the event of death, his widow will be entitled to certain death benefits.

Profit Sharing Plan

In November 1972 the Company adopted a Qualified Profit Sharing Plan (the "Plan") for the benefit of all present and future full-time employees (except those covered by a union pension fund) of the Company who have completed two years of employment as of the close of any taxable year of the Company.

Annual contributions under the Plan will be based upon graduated percentages of the Company's net profits after first deducting from such profits a sum equal to 20% of the Company's net worth as at the beginning of each year, except that for the first year beginning January 1, 1973 the net proceeds received by the Company from this offering shall be added to such net worth. Such annual contributions may not in any event exceed the amount allowable as a deduction for Federal income tax purposes.

Qualified Stock Option Plan

In November 1972 the Company adopted a Qualified Stock Option Plan (the "Plan") for key employees of the Company, under which 25,000 shares of Common Stock are reserved for issuance upon the exercise of options to be granted under the Plan. The Plan and all options granted thereunder are designed to satisfy the requirements of the Internal Revenue Code with respect to qualified stock option plans. Accordingly, no option may be issued to any employee of the Company owning, together with members of his family, more than 5% of the total combined voting power of the Company. The Plan provides that the option price must not be less than the fair market value of the Common Stock at the time of the grant of the option, that the option be exercisable only within five years from the date of the grant and that certain other requirements be met.

The Plan provides that each option granted shall be exercisable in specified portions, beginning one year and ending no more than five years after the date of grant, and may only be exercised, with certain stated exceptions, while the holder is in the employ of the Company. The number of shares covered by the Plan is subject to adjustment in the case of stock splits, stock dividends, recapitalizations or like transactions.

As of the date of this Prospectus, no options have been granted under the Plan and none will be granted, except in accordance with existing Federal Pay Board Regulations.

CERTAIN TRANSACTIONS

The number of shares shown hereunder in parentheses gives effect to the recapitalization in November 1972 described in Note B of Notes to Financial Statements.

In December 1969 and January 1970 the Company, through certain of its subsidiaries, purchased from Hannah Rosen (mother of Harold J. Rosen) 41,500 shares (373,500 shares) of the Company's Common Stock for a total consideration of $183,963 and from Anna Reiss (sister of S. M. Elowsky) 15,000 shares (135,000 shares) of the Company's Common Stock for a total consideration of $60,000, terminating such stockholders' interests in the Company.

In January 1971, the Company acquired, pursuant to an agreement dated December 15, 1970, 231,336 shares (2,082,024 shares) of Common Stock from S. M. Elowsky, his wife Isabella Elowsky, the Elowsky Foundation and other members of the Elowsky family for an aggregate purchase price of $1,156,680 consisting of $200,000 in cash and the balance of $956,680 in unsecured promissory notes due in installments at various times through December 15, 1972. In September 1972, the balance then outstanding ($200,000) was extended to become due in January 1974. Certain provisions in the agreement relative to the election of directors of the Company and imposing certain restrictions on the Company's operations were terminated on November 16, 1972. Under said agreement, Seymour M. Bag purchased from the Company 20,000 shares (180,000 shares) of Common Stock for an aggregate consideration of $100,000. In addition, pursuant to said agreement certain stockholders, including S. M. Elowsky and Isabella Elowsky, exchanged 156,029 shares (1,404,261 shares) of Common Stock for 30,806 shares of the Cumulative Preferred Stock, $25 par value, of the Company.

By agreement dated April 20, 1971, the Company and the stockholders of the Company entered into certain arrangements which had the effect of restricting the sale and voting of their shares by the stockholder parties to said agreement and which provided for certain sinking fund provisions relative to the Cumulative Preferred Stock of the Company. This agreement superseded a previous stockholders' agreement entered into in 1969. The 1971 stockholders' agreement was terminated on November 16, 1972.

On August 31, 1972, the Company redeemed certain shares of its Cumulative Preferred Stock at $25 per share as follows: 4,040 shares from Bernard Elow, 2,000 shares from Rose Elow and 5,070 shares from members of the Smook family. The Company paid $77,770 in cash and the balance of $199,980 in 5% unsecured promissory notes due February 16, 1973. The Elows are related to S. M. Elowsky and Seymour M. Bag and the Smook family is related to Harold Rosen.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table shows as of November 28, 1972 the record and beneficial ownership of the Company's Common Stock by each selling stockholder or person owning of record and beneficially more than 10% thereof, the record and beneficial ownership of all directors and officers as a group, and the number and percentage of shares to be owned by such persons after the offering:

	Owned			To Be Owned(1)	
Name and Address	Shares	Percentage of Class	Number of Shares To be Sold(1)	Shares	Percentage of Class
S. M. Elowsky ..... 50 Central Park South New York, N. Y.	173,790	24.1%	21,000	152,790	17.0%
Harold J. Rosen ..... 95 Lawrence Ave., Lawrence, N. Y.	157,806	21.9	15,400	142,406	15.8
Daniel A. Nisgore ..... 136 E. 64th St., New York, N. Y.	90,549	12.6	9,100	81,449	9.1
Seymour M. Bag ..... 20 Bluebird Dr., Great Neck, N. Y.	167,217	23.2	20,300	146,917	16.3
Max D. Jaffe ..... 75 Dickinson Pl., Great Neck, N. Y.	42,138	5.9	4,200	37,938	4.2
All Officers and Directors as a group (6 persons)	634,200	88.1	70,000	564,200	62.7

(1) Does not take into account up to 7,000 additional shares and 18,000 additional shares which may be sold by the Selling Stockholders and the Company, respectively, pursuant to the over-allotment option granted to the Underwriters.

The wife of S. M. Elowsky owns 36,000 shares and the wife of Seymour M. Bag owns 18,000 shares of the Common Stock and the balance of the outstanding shares of Common Stock is owned by members of the families of the above listed stockholders.

By reason of their stock ownership, the Directors of the Company may be deemed "parents" of the Company within the meaning of the Securities Act of 1933.

S. M. Elowsky and Harold J. Rosen beneficially own, directly or indirectly 19,296 shares of the Cumulative Preferred Stock of the Company representing 98% of such shares outstanding.

DESCRIPTION OF CAPITAL STOCK

The Company is authorized to issue two classes of capital stock: Common Stock, par value $.10 per share, of which 2,000,000 shares are authorized and 5% Cumulative Preferred Stock, par value $25 per share, of which 20,000 shares are authorized.

For more complete information concerning both classes of the Company's stock, reference is made to the Restated Certificate of Incorporation of the Company, as amended, a copy of which has been filed as an exhibit to the Registration Statement, and to the Laws of the State of New York.

Common Stock

Dividends

Dividends may be paid on the Common Stock at the discretion of the Board of Directors out of any funds of the Company legally available therefor after provision for the dividend rights of the Cumulative Preferred Stock. Holders of the Cumulative Preferred Stock are entitled to receive, when and as declared, and before any dividends on the Common Stock, cumulative dividends at the rate of $1.25 per annum per share. After dividends have been paid or declared and set apart for payment on the Cumulative Preferred Stock, dividends may be declared and paid upon the Common Stock.

The Company has not declared or paid any cash dividends on its Common Stock. Future dividend policy will be determined on the basis of the Company's earnings, financial requirements and other relevant factors.

Voting Rights

Each holder of Common Stock is entitled to one vote per share on all matters on which the stockholders vote.

Non-Cumulative Voting

Shares of Common Stock do not have cumulative voting rights which means that the holders of more than 50% of the voting power of the stock voting for the election of Directors can elect all of the Directors if they choose to do so, and in such event the holders of the remaining less than 50% of the voting power of the stock will not be able to elect any person or persons as Directors. The officers and directors of the Company and their families will own approximately 72.2% of the outstanding shares of Common Stock after completion of this offering.

Liquidation Rights

Upon any distribution of the assets of the Company, the holders of the Common Stock are entitled to distribution pro rata of all assets of the Company remaining after the holders of the Cumulative Preferred Stock have been paid the preference equal to $25 per share for their shares together with any accrued dividends.

Other Provisions

The shares of Common Stock of the Company now outstanding are and the shares offered by the Company hereby will be, fully paid and non-assessable, except as provided in Section 630 of the New York Business Corporation Law. Such shares do not have any sinking fund provisions, preemptive rights, conversion rights or redemption provisions.

Cumulative Preferred Stock

The Cumulative Preferred Stock possesses no preemptive or conversion rights, is fully paid and non-assessable, is redeemable at any time by the Company at $25 per share together with any accrued dividends and is entitled to preferential cumulative dividends at a rate of 5% of the redemption value. The Cumulative Preferred Stock does not possess any voting rights.

Transfer Agent and Registrar

Manufacturers Hanover Trust Company is the Transfer Agent and National Bank of North America is the Registrar for the Company's Comm[illegible] Stock. Mr. Elowsky is a member of the Board of Directors of the National Bank of North America.

Reports to Stockholders

The Company will furnish its stockholders with annual reports containing financial statements certified by independent public accountants and quarterly reports containing unaudited financial data for the first three quarterly periods of the year.

UNDERWRITING

The Underwriters named below, through their Representative, Edwards & Hanly Securities, Inc., have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement, a copy of which is filed as an exhibit to the Registration Statement, to purchase from the Company and the Selling Stockholders 180,000 and 70,000 shares, respectively, of the Common Stock of the Company as is set forth below after each name.

Name	Address	Shares
Edwards & Hanly Securities, Inc.	One Whitehall Street New York, New York 10004	

The nature of the obligation of the Underwriters is such that if any of the shares of Common Stock offered hereby are purchased, all of the shares must be purchased.

The Representative of the Underwriters has advised the Company that the Underwriters propose initially to offer the Common Stock in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus and in part to certain selected dealers at such price less a concession not exceeding $ per share; the Underwriters may allow and such

dealers may reallow on sales to certain other dealers a discount not exceeding $ per share; and the public offering price and concessions, allowances and discounts to dealers may be changed by the Underwriters after the initial public offering.

The Underwriting Agreement contains reciprocal agreements of indemnity among the Company, the Selling Stockholders and the Underwriters as to certain liabilities in connection with the Registration Statement and the Prospectus.

At the closing of the sale of the Common Stock to the Underwriters, the Company and the Selling Stockholders will pay pro rata to Edwards & Hanly Securities, Inc. $20,000 on a non-accountable basis for its expenses.

The Company and the Selling Stockholders have agreed that they will not, for a period of nine months from the date of this Prospectus without the prior written consent of Edwards & Hanly Securities, Inc., sell any Common Stock of the Company other than shares reserved for issuance as of the date hereof.

Over-Allotment Option

The Company and the Selling Stockholders have agreed to sell pro rata to the Underwriters, for a period of 30 days from the date hereof, up to an additional 25,000 shares of Common Stock for the sole purpose of covering over-allotments upon the sale of the 250,000 shares offered hereby. During the 30-day term of the over-allotment option, the Underwriters will have the opportunity of purchasing shares in the market to cover the short position resulting from an over-allotment, if any, or to exercise the option to purchase shares at $ per share. Accordingly, regardless of the market price of the shares of Common Stock of the Company subsequent to the date of this offering and prior to the expiration of the option, certain of the market risks associated with an offering of securities will have been substantially reduced. The Underwriters will be protected from risk of loss on up to 25,000 shares over-allotted because of their ability to purchase up to 275,000 shares at the net price. If the market price should decline substantially below the public offering price, the Underwriters will have the opportunity to realize additional profits (underwriting compensation) which might be substantial should they elect to cover their short position by purchasing all or a part of the required shares of Common Stock in the market at a price below the option price. However, open market purchases (except permitted stabilizing purchases) may not be made until after the distribution is completed and the over-allotment option is either exercised or cancelled. The purpose of the over-allotment option is to protect the Underwriters against risks associated with the over-allotments, and any benefits to the Company and the Selling Stockholders from the grant of this right are incidental to the benefits to the Underwriters.

Warrants

Simultaneously with the payment to the Company and the Selling Stockholders of the proceeds of this offering, the Company will sell to Edwards & Hanly Securities, Inc., for $200, Warrants to purchase 20,000 shares of Common Stock of the Company. The Warrants entitle the holders thereof to purchase an aggregate of 20,000 shares of the Company's Common Stock at a purchase price of $ per share. Such Warrants are not transferable (except to certain persons associated with Edwards & Hanly Securities, Inc.) and are not exercisable for one year from the date of issuance, after which they are exercisable for a period of four years.

A Warrant holder will have no voting, dividend or other rights as a stockholder of the Company unless or until the Warrant is exercised.

The Company has agreed that, commencing one year after the issuance of the Warrants and at its expense (except that the holder would under certain circumstances, share in the accounting fees paid by the Company) it will (a) on one occasion, at the request of Edwards & Hanly Securities, Inc., prepare and file a post-effective amendment or new registration statement with respect to the shares issuable upon exercise of the Warrants and (b) if it shall file a registration statement under the Securities Act of 1933 with respect to the offering of other securities of the Company, it will give the holder of the Warrants and/or shares issuable upon the exercise thereof the right to include such shares in such registration statement.

The number of shares of Common Stock deliverable upon any exercise of the Warrants, and the Warrant exercise price, are subject to adjustment, to protect against dilution, upon the occurrence of any of the events specified in the Warrants.

For the life of the Warrants the Warrant holder is given, at nominal cost, the opportunity to profit from a rise in the market for the Common Stock of the Company, if any, at the expense of the common stockholders. For the life of the Warrant, the Company might be deprived of favorable opportunities to procure additional equity capital, if it should be needed for the purpose of the business. The Warrant holder may be expected to exercise the Warrants at a time when the Company would, in all likelihood, be able to obtain equity capital if it needed capital then, by public sale of a new offering on terms more favorable than those provided by the Warrants.

LEGAL OPINIONS

Legal matters in connection with this offering are being passed upon for the Company and the Selling Stockholders by Warshaw, Sylvester, Burstein & Franks, Esqs., 555 Fifth Avenue, New York, New York 10017, and for the Underwriters by Delson & Gordon, Esqs., 230 Park Avenue, New York, New York 10017.

EXPERTS

The audited financial statements included in this Prospectus and the related schedules included elsewhere in the Registration Statement have been examined by Ernst & Ernst and Rogoff & Chanin, P.C., both independent accountants, as indicated and to the extent set forth in the reports of such firms included herein and in the Registration Statement. Such financial statements and schedules are so included in reliance upon the reports of such firms given upon their authority as experts in auditing and accounting.

ADDITIONAL INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission. For further information, reference is made to the Registration Statement and to the exhibits and financial statements filed with it. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and where such contract or other document is an exhibit to the Registration Statement, each such statement is deemed to be qualified and amplified in all respects by the provisions of the exhibit.

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Apparel Industries, Inc.
New York, N. Y.

We have examined the statements of operations, stockholders' equity and changes in financial position, respectively, of Apparel Industries, Inc. and Apparel Industries, Inc. and subsidiaries for the three years ended December 31, 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements enumerated above present fairly the results of operations of Apparel Industries, Inc. and Apparel Industries, Inc. and subsidiaries and their respective changes in stockholders' equity and changes in financial position for the years indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

ROGOFF & CHANIN, P. C.

New York, N. Y.
June 5, 1972, except as to Notes B, E, F, G
and I the date of which is November 28, 1972.

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Apparel Industries, Inc.
New York, N. Y.

We have examined the financial statements of Apparel Industries, Inc. and the consolidated financial statements of Apparel Industries, Inc. and subsidiaries for the eight month period ended August 31, 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of operations, stockholders' equity and changes in financial position present fairly the financial position of Apparel Industries, Inc. and the consolidated financial position of Apparel Industries, Inc. and subsidiaries at August 31, 1972, and the respective results of their operations, changes in stockholders' equity and changes in financial position for the eight month period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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New York, N. Y.
November 28, 1972

APPAREL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
August 31, 1972

ASSETS

Current assets:	
Cash	$ 350,012
Accounts receivable, less allowances for doubtful accounts of $94,264	3,990,439
Inventories, at lower of cost (first-in, first-out method) or market—Note C:	
Finished goods	2,311,141
Goods in process	189,339
Materials and supplies	485,180
	2,985,660
Prepaid expenses and other current assets	111,868
Total Current Assets	7,437,979
Other assets	51,658
Property, plant and equipment—on the basis of cost—Notes D and F:	
Land	125,000
Building and building improvements	249,876
Machinery, furniture and leasehold improvements	159,191
	534,067
Less allowances for depreciation and amortization	140,452
	393,615
	$7,883,252

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Notes (interest rates 5% to 5½%) and bank acceptances payable—Note E	$2,639,801
Notes payable to stockholders and former stockholders—Note E	539,980
Accounts payable	1,316,751
Accrued expenses	344,013
Dividends payable	16,413
Income taxes payable	618,800
Current portion of long-term debt—Note F	13,130
Total Current Liabilities	5,488,888
Long-term debt—Note F	357,311
Stockholders' equity—Notes A, B, G and I:	
Capital stock:	
Preferred Stock—[illegible]% cumulative, non-voting, $25 par value:	
Authorized 20,000 shares, issued and outstanding 19,696 shares	492,400
Common Stock—$.10 par value:	
Authorized 2,000,000 shares, issued and outstanding 720,000 shares	72,000
Retained earnings	1,472,653
Total Stockholders' Equity	2,037,053
Contingencies and commitments—Note H	
	$7,883,252

See notes to financial statements.

APPAREL INDUSTRIES, INC.

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APPAREL INDUSTRIES, INC. AND SUBSIDIARIES

STATEMENT OF STOCKHOLDERS' EQUITY

Three Years Ended December 31, 1971

and

Eight Month Period Ended August 31, 1972

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock
Balance at January 1, 1969—as originally reported		$401,894	$ 760,236	$ 436,234	($ 40,875)
Adjustment arising from pooling of interests—Note A		122,791	230,990	626,742	
Balance at January 1, 1969—as restated		524,685	991,226	1,062,976	(40 875)
Purchase of 3,708 treasury shares					(13,161)
Redemption of 41,507 shares of Common Stock		(41,507)	(142,369)		
Net loss for the year				(234,458)	
Balance at December 31, 1969		483,178	848,857	828,518	(54,036)
Cancellation of 15,358 shares of treasury stock		(15,358)	(38,678)		54,036
Issuance of 544 shares of Common Stock		544	1,976		
Redemption of 254,336 shares of Common Stock		(254,336)	(812,155)	(188,479)	
Net income for the year				255,699	
Balance at December 31, 1970		214,028		895,738	
Issuance of 20,000 shares of Common Stock		20,000	80,000		
Issuance of 30,806 shares of Preferred Stock and 80,000 shares of Common Stock in exchange for existing shares of Common Stock—Note B	$770,150	(154,028)	(80,000)	(536,122)	
Dividends on Preferred Stock				(38,507)	
Net income for the year				465,028	
Balance December 31, 1971	770,150	80,000		786,137	
Redemption of 11,110 shares of Preferred Stock	(277,750)				
Dividends on Preferred Stock				(25,673)	
Recapitalization—Note B		(8,000)		8,000	
Net income for the eight month period				704,189	
Balance at August 31, 1972	$492,400	$ 72,000	$ —	$1,472,653	$ —

See notes to financial statements.

APPAREL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31,			Eight Month Period Ended August 31, 1972
	1969	1970	1971	
Sources (uses) of working capital:				
From operations:				
Net income (loss) before extraordinary credits	$ (271,413)	$ 137,511	$ 408,233	$ 691,189
Depreciation and amortization not requiring working capital	33,134	19,489	26,729	24,115
Total provided by (used in) operations before extraordinary credits	(238,279)	157,000	434,962	715,304
Extraordinary credits	36,955	118,188	56,795	13,000
Total provided by (used in) operations	(201,324)	275,188	491,757	728,304
Reclassification to long-term of debt issued in redemption of Common Stock				200,000
Long-term debt issued in redemption of Common Stock		164,180		
Sales of property, plant and equipment	72,348	14,306		
Decrease in other assets	22,663	1,105		
Common Stock issued		2,520	100,000	
Common and Preferred Stock issued in recapitalization—Note B			850,150	
Total sources (uses)	(106,313)	457,299	1,441,907	928,304
Uses of working capital:				
Purchases of property, plant and equipment	14,142	3,276	45,331	73,334
Increase in other assets			3,617	23,956
Payments of long-term debt	11,831	12,361	176,680	8,044
Dividends on Preferred Stock			38,507	25,673
Redemption of Common Stock	183,876	1,254,970	850,150	
Redemption of Preferred Stock				277,750
Purchase of treasury stock	13,161			
Total uses	223,010	1,270,607	1,114,285	408,757
Increase (decrease) in working capital	$ (329,323)	$ (813,308)	$ 327,622	$ 519,547
Changes in components of working capital:				
Increase (decrease) in current assets:				
Cash	$ (39,166)	$ 83,427	$ 372,844	$ (386,239)
Certificates of deposit	(245,889)	(24,504)		
Investment in U.S. treasury bills	367,592	(367,592)		
Accounts receivable	(210,260)	408,138	535,716	2,143,582
Inventories	(161,221)	79,790	258,560	1,841,277
Prepaid expenses and other current assets	(36,656)	10,964	78,684	(693)
Tax refunds receivables	(47,412)	(13,004)		
Total increase (decrease) in current assets	(373,612)	177,219	1,245,804	3,597,927
Increase (decrease) in current liabilities:				
Notes and bank acceptances payable	50,120	(4,167)	713,054	1,748,294
Notes payable to stockholders and former stockholders	101,501	842,500	(629,696)	193,300
Current portion of long-term debt	506	530	139	630
Accounts payable and accrued expenses	(148,306)	140,024	379,472	967,796
Dividends payable			38,507	(22,094)
Income taxes payable	(48,110)	11,640	416,706	190,454
Total increase (decrease) in current liabilities	(44,289)	990,527	918,182	3,078,380
Increase (decrease) in working capital	$ (329,323)	$ (813,308)	$ 327,622	$ 519,547

See notes to financial statements.

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APPAREL INDUSTRIES, INC.
BALANCE SHEET
August 31, 1972

ASSETS

Current assets:	
Cash	$ 19,682
Income taxes recoverable from subsidiaries	10,000
Total Current Assets	29,682
Investments in subsidiaries, at equity in underlying net assets —Note A	3,790,516
Other assets	2,500
	$3,822,698

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Notes payable to stockholders and former stockholders—Note E	$ 464,980
Accrued expenses	11,915
Dividends payable	16,413
Total Current Liabilities	493,308
Long-term debt—Note F	200,000
Due to subsidiaries	1,092,337
Stockholders' equity—Notes A, B, G and I:	
Capital stock:	
Preferred Stock—5% cumulative, non-voting, $25 par value:	
Authorized 20,000 shares, issued and outstanding 19,696 shares	492,400
Common Stock—$.10 par value:	
Authorized 2,000,000 shares, issued and outstanding 720,000 shares	72,000
Retained earnings	1,472,653
Total Stockholders' Equity	2,037,053
Contingencies and commitments—Note H	
	$3,822,698

See notes to financial statements.

APPAREL INDUSTRIES, INC.

STATEMENT OF OPERATIONS

	Year ended December 31,			Eight Month Period Ended August 31, 1972
	1969	1970	1971	
Expenses:				
Interest		$ 5,090	$ 43,880	$ 14,650
Other	$ 4,316	3,728	6,260	4,562
Loss before recoverable income taxes	(4,316)	(8,818)	(50,140)	(19,212)
Recoverable income taxes			24,000	10,000
Net loss of Company	(4,316)	(8,818)	(26,140)	(9,212)
Net Income (loss) of subsidiaries before extraordinary credits including subsidiary dividends of $8,100 and $5,200 in 1969 and 1970, respectively	(267,097)	146,329	434,373	700,401
Net income (loss) on a consolidated basis before extraordinary credits	(271,413)	137,511	408,233	691,189
Extraordinary credits of subsidiaries	36,955	118,188	56,795	13,000
Net income (loss) on a consolidated basis	($234,458)	$255,699	$465,028	$704,189

See notes to financial statements.

APPAREL INDUSTRIES, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31,			Eight Month Period Ended
	1969	1970	1971	August 31, 1972
Sources of working capital:				
From operations:				
Net income (loss) on a consolidated basis, before extraordinary credits	($271,413)	$ 137,511	$ 408,233	$691,189
Increase (decrease) in equity of subsidiaries before extraordinary credits	(275,197)	141,129	434,373	700,401
Total provided by (used in) operations	3,784	(3,618)	(26,140)	(9,212)
Increase in due to subsidiaries	222,277	118,649	752,500	113
Common Stock issued		2,520	100,000	
Common and Preferred Stock issued in recapitalization—Note B			850,150	
Long-term debt issued in redemption of Common Stock		164,180		
Reclassification to long-term of debt issued in redemption of Common Stock				200,000
Total sources	226,061	281,731	1,676,510	190,901
Uses of working capital:				
Increase in other assets	2,000			500
Reductions of long-term debt			164,180	
Dividends on Preferred Stock			38,507	25,673
Redemption of Common Stock	183,876	1,254,970	850,150	
Redemption of Preferred Stock				277,750
Purchase of treasury stock	13,161			
Total uses	199,037	1,254,970	1,052,837	303,923
Increase (decrease) in working capital	$ 27,024	($ 973,239)	$ 623,673	($113,022)
Changes in components of working capital:				
Increase (decrease) in current assets:				
Cash	($ 5,077)	$ 3,387	$ 28,551	($ 13,368)
Income taxes recoverable from subsidiaries			24,000	(14,000)
Prepaid expenses			2,000	(2,000)
Total increase (decrease) in current assets	(5,077)	3,387	54,551	(29,368)
Increase (decrease) in current liabilities:				
Notes payable to stockholders and former stockholders	(32,375)	976,376	(629,696)	118,300
Accounts payable and accrued expenses	2,150	250	17,967	(8,452)
Dividends payable			38,507	(22,094)
Income taxes payable	(1,876)		4,100	(4,100)
Total increase (decrease) in current liabilities	(32,101)	976,626	(569,122)	83,654
Increase (decrease) in working capital	$ 27,024	($ 973,239)	$ 623,673	($113,022)

See notes to financial statements.

APPAREL INDUSTRIES, INC.
AND
APPAREL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
Three Years and Eight Months Ended August 31, 1972
Two Years Ended December 31, 1968 and
Eight Month Period Ended August 31, 1971 (Unaudited)

Note A—Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sporteens, Inc., Gotham Knitting Mills, Inc., Morrison Knitwear Co., Inc. and Ann Marie Sportswear, Inc. All intercompany accounts and transactions have been eliminated in consolidation. The Company records its investment in subsidiaries at their equity in underlying net assets of such companies.

On March 10, 1969 the Company acquired all of the outstanding capital stock of Morrison Knitwear Co., Inc. and Sylvan Knitwear Mills, Inc. (subsequently merged into Morrison) manufacturers of ladies' knitwear, in exchange for 122,791 shares of the Company's then existing Common Stock. This transaction was accounted for as a pooling of interests, accordingly the consolidated financial statements include the accounts and transactions of the acquired companies for all periods included therein.

Note B—Capital Stock

In December 1970, the Company amended its Certificate of Incorporation to provide for the authorization of 850,000 shares of $1 par value Common Stock, and 80,000 shares of 5% cumulative, non-voting, $25 par value Preferred Stock.

In January 1971, 80,000 shares of the $1 par value Common Stock and 30,806 shares of the 5% cumulative, non-voting, $25 par value Preferred Stock were issued in exchange for the 234,028 shares of the $1 par value Common Stock then outstanding. As a result of the recapitalization $80,000 was charged to additional paid-in capital and $536,122 charged to retained earnings, representing the difference between the par values of the new stocks issued and old stock cancelled.

In November 1972 the Company's Certificate of Incorporation was again amended to change the authorized Common Stock from 850,000 shares, $1 par value to 2,000,000 shares, $.10 par value and the 80,000 shares of 5% cumulative, non-voting, $25 par value Preferred Stock to 20,000 shares of 5% cumulative, non-voting, $25 par value Preferred Stock. The then issued and outstanding shares of Common Stock (80,000 shares) were exchanged at the rate of one old share for 9 shares of new Common Stock (720,000 shares). The exchange of shares was accounted for by a credit to retained earnings in the amount of $8,000 (the difference between the old aggregate par value and the new aggregate par value of the common shares outstanding) with a corresponding charge to Common Stock. In the accompanying financial statements the recapitalization has been given effect to as of August 31, 1972.

Note C—Inventories

Inventories used in the computation of consolidated cost of sales are as follows:

January 1, 1967 (unaudited)	$ 916,546
December 31, 1967 (unaudited)	852,076
December 31, 1968	967,854
December 31, 1969	806,033
December 31, 1970	885,823
December 31, 1971	1,144,383
August 31, 1971 (unaudited)	1,305,402
August 31, 1972	2,985,660

Note D—Depreciation and Amortization

Depreciation and amortization has been provided, using rates calculated to amortize the cost of depreciable property over their estimated useful lives. The lives and methods used are as follows:

Classifications	Method	Lives
Building	Straight-line	20 years
Building improvements	Straight-line	10 years
Furniture and fixtures	Declining balance	10 years
Machinery and equipment	Declining balance	10 years
Leasehold improvements	Straight-line	Term of lease, not in excess of useful life

Expenditures for maintenance and repairs are charged to operations. Betterments and major renewals are capitalized. The cost of assets retired or otherwise disposed of and the related allowances for depreciation and amortization are eliminated from the accounts in the year of disposal. Gains or losses on disposals of property, plant and equipment are credited or charged to earnings.

Note E—Current Notes, and Bank Acceptances Payable

Notes payable to stockholders and former stockholders consist of an aggregate $264,980 payable on the redemption of Common Stock (1970) and Preferred Stock (1972), with interest payable at rates of 5% and 6%, respectively. The remainder is payable by the Company ($200,000) and its subsidiary, Gotham Knitting Mills, Inc. ($75,000) on demand, with interest at a rate of 6%. Subsequent to August 31, 1972 the notes payable ($275,000) by the Company and its subsidiary and $65,000 payable on the Common Stock redemptions were paid.

Through agreement with the bank in November 1972 notes and bank acceptances payable in excess of $1,500,000 are guaranteed by the Company's directors.

Note F—Long-Term Debt

Long-term debt at August 31, 1972 consists of the following:

Notes payable to former stockholders by the Company, interest at 6%, payable January, 1974	$200,000
6% Mortgage note payable to Lincoln Savings Bank, due in quarterly installments of $3,115 including interest, the last of which is due on January 1, 1983	93,935
2¾% Second mortgage note payable to New York Job Development Authority, due in monthly installments of $690 including interest, the last of which is due on April 20, 1983	76,506
	370,441
Less current portion	13,130
	$357,311

The required principal payment on long-term debt during each of the five years subsequent to August 31, 1972 are as follows:

1973	$ 13,130
1974	213,840
1975	14,475
1976	15,140
1977	15,841

The mortgage notes are collateralized by land and building with an approximate aggregate net book value of $267,000 at August 31, 1972.

Note G—Stock Option Plan

In November, 1972 the Company, subject to government approval, adopted a qualified stock option plan for key employees of the Company, under the terms of which 25,000 shares of Common

Stock are reserved for issuance upon the exercise of options that may be granted under the plan. The plan provides that the option price must not be less than the fair market value of the Common Stock at the date of grant, and options are exercisable in specified portions within five years from the date of grant, beginning one year from such date. No options have been granted under the plan.

Note H—Contingencies and Commitments

The Company is obligated to pay annual rentals in the amount of $94,000, through January 1975, for leased facilities. Under the terms of the leases the Company also pays real estate taxes and utilities.

At August 31, 1972 the Company is committed under the terms of unused letters of credit in the amount of $762,000.

Reference is made to the captions "Remuneration" and "Profit Sharing Plan" under the "Management" section elsewhere in this Prospectus for additional commitments.

Note I—Proposed Public Offering

On July 15, 1972 the Company signed a letter of intent with an underwriter which provides for the registration and sale of 250,000 shares of the Company's Common Stock, of which 70,000 shares will be those of present stockholders. The agreement with the underwriter also provides an over-allotment option in which the Company and the selling stockholders have agreed to sell pro rata an additional 25,000 shares of Common Stock under certain circumstances. It is proposed that the proceeds from the sale of the Company's shares will be used for repayment of short-term bank borrowing, expansion of warehousing and distribution facilities, repayment of notes due to former stockholders and for working capital.

In connection with this transaction the Company will sell to the underwriter for $200, warrants to purchase 20,000 shares of Common Stock. The warrants will entitle the holders thereof to purchase an aggregate of 20,000 shares at a purchase price of 120% of the public offering price per share. Such warrants will be exercisable for five years, beginning one year from the date of issuance.

Note J—Supplemental Profit and Loss Information

	Year Ended December 31,			Eight Month Period Ended
	1969	1970	1971	August 31, 1972
Maintenance and repairs charged to:				
Cost of sales	$ 7,053	$ 9,033		$ 3,809
Other profit and loss accounts		6,802	$23,492	14,357
	$ 7,053	$15,835	$23,492	$18,166
Depreciation and amortization charged to:				
Other profit and loss accounts	$33,134	$19,489	$26,729	$24,146
Taxes—other than income taxes charged to:				
Payroll:				
Cost of sales	$28,063	$ 8,550	$15,500	$20,250
Other profit and loss accounts	27,712	32,848	47,363	56,177
	55,775	41,398	62,863	76,427
Other:				
Other profit and loss accounts	6,678	2,523	2,954	8,599
Total taxes	$62,453	$43,921	$65,817	$85,026
Rents charged to:				
Cost of sales	$28,900	$ 2,525		
Other profit and loss accounts	33,346	26,820	$42,231	$66,369
	$62,246	$29,345	$42,231	$66,369

There were no royalties paid and there were no management or service contract fees.

Until (ninety days after the date of this Prospectus) all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

No person is authorized to give any information or to make any representations not contained in this Prospectus in connection with the offer contained herein and if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Stockholders or the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities covered by this Prospectus in any state to any person to whom it is unlawful to make such offer or solicitation in such state. The delivery of this Prospectus shall not under any circumstances create an implication that there has been no change in the affairs of the Company since the dates as of which such information is presented herein.

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APPAREL INDUSTRIES, INC.

250,000 SHARES

Common Stock

(Par Value $.10)

PROSPECTUS

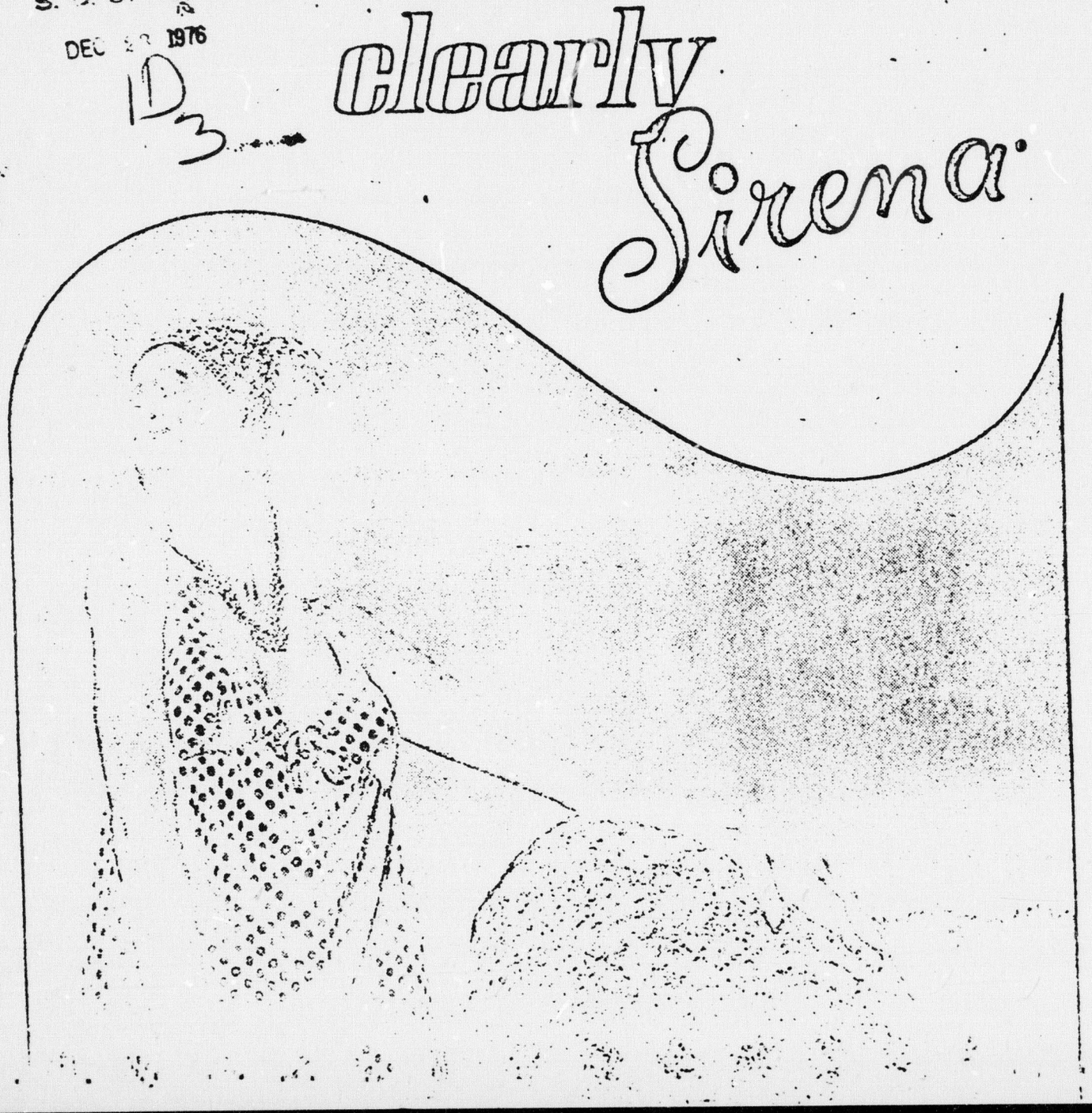
Dated: , 1972

EDWARDS & HANLY
SECURITIES, INC.

PLAINTIFF'S EXHIBIT 3
ARTICLE IN WOMEN'S WEAR, NOVEMBER 12,1969

EXHIBIT
J. ... CT
S. D. OF N. Y.
DEC 23 1976
ID 3
227 a

WOMEN'S WEAR DAILY, WEDNESDAY, NOVEMBER ...


clearly
Sirena

Pa[illegible] Shaping Up For Morrison, Sporteen Knits

NEW YORK. — Six months after the merger of Sporteens and House of Morrison, plans to redirect some of the new company's divisions are taking shape.

Max Jaffe, who had been a principal of Morrison, is now vice-president of both Morrison and Sporteens and has been busy setting dovetailing paths for Morrison and Sporteen's Miss Gotham division.

This step has turned Morrison toward a knitted sportswear and turned over separate sweaters to Miss Gotham. Morrison had made separate sweaters before the merger.

In addition, Jaffe, along with Sam M. Elowsky, president, is working on plans to open a junior operation. All divisions now sell to the misses market.

The junior operation, which is "coming in the not too distant future," is something Elowsky has "wanted for a long time."

Elowsky had been in the junior market until five years ago when he sold Juniorite to Russ Togs for $900,000.

In his diversification program into sportswear groups and shifts, Jaffe has switched to knit polyester and Antron from the wools and acrylics that were traditionally Morrison's line. Morrison also has a cotton knit line for spring for the first time.

Mr. Thomson Plans Expansion To Slinque Knits

NEW YORK. — Mr. Thomson, which has made its mark in the sportswear market strictly with pants, is expanding with a new knit division called Slinque.

This division will produce about 30 styles of tops, shirts and dresses. Some will be printed in about 16 art deco designs the company is calling Radio City.

The company had been selling its pants to misses departments, [illegible]

DEFENDANTS' EXHIBIT A
RIGHT OF FIRST REFUSAL DATED FEB. 6,1946

Pltf's Deft's Ex. 3 For Ident
6.1.13.15.16 Donna A. Metz

228 a

I, the undersigned, in consideration of good and valuable considerations agree that I will not sell, assign, transfer, pledge, encumber or in any way dispose of any or all shares of stock of KORDEN MANUFACTURING Co., INC., which may now or hereafter be owned by me unless and until the undersigned, or in case of my death, my personal representatives shall have first given to KORDEN MANUFACTURING Co., INC., or its successors and/or S.M. ELOWSKY, or his personal representatives, a ninety (90) day option in writing, to purchase such share or shares of capital stock at the then book value thereof (without any valuation to be placed for goodwill) as determined by the accountants for the Corporation. Any sale, assignment, pledge or transfer of my said shares of capital stock in violation of this Agreement shall be null and void.

Dated:
Feb 6, 1946

Abner S Harkavy L.S.

DEFENDANTS' EXHIBIT B
BILL OF SALE FROM KORDEEN MANUFACTURING CO. INC.
TO HARKAVY KOHN DATED SEPTEMBER 30, 1968

104—Bill of Sale. BLUMBERG, INC., LAW BLANK PUBLISHERS BROADWAY AND 1 RECTOR ST., NEW YORK

Know all Men by these Presents,

229 a

That KORDEEN MFG. CO., INC., a New York Corporation having its principal office at 420 East German Street, Herkimer, New York, the party

12 For Ident
6/18 1974 Donna A. Metz

of the first part, for and in consideration of the sum of Fifteen Thousand and no/100---------- ($15,000.00) *lawful money of the United States, to* it *in hand paid,* ~~[illegible]~~ as hereinafter set forth by HARKAVY & KOHN MFG. CO. INC., a domestic corporation having its principal place of business at 420 East German Street, Herkimer, New York, the party of the second part, (that from the purchase price as set forth herein there is allocated Two Hundred Fifty ($250.00) Dollars to office equipment, the same being the fair and reasonable value thereof,)

~~of the second part~~, *the receipt whereof is hereby acknowledged* has *bargained and sold, and by these presents* does *grant and convey unto the said part* y *of the second part,* its successors ~~executors, administrators~~ *and assigns* all of the machinery, equipment, fixtures and other chattels set forth in Schedule A, which is annexed hereto and made a part hereof, which said machinery, equipment, fixtures and other chattels are presently situated at 420 East German Street, Herkimer, New York. Said purchase price of Fifteen Thousand and no/100 ($15,000.00) Dollars has been paid as follows:

Two Thousand ($2,000.00) Dollars by check subject to collection simultaneously with the execution hereof and previous payments of Two Hundred Fifty ($250.00) Dollars.

Twelve Thousand Seven Hundred Fifty ($12,750.00) Dollars by the purchaser executing and delivering to the seller simultaneously with the execution hereof a promissory note providing for payment as follows:

One Hundred ($100.00) Dollars per month commencing on the 1st day of October, 1968, and a like sum on the first day of each month thereafter, up to and including the 1st day of December, 1968; thereafter at the rate of One Hundred ($100.00) Dollars per week commencing on the 1st day of January, 1969, and a like sum weekly thereafter until the entire principal sum due hereunder shall be paid in full.

Subject to a security agreement executed and delivered by the purchaser to the seller simultaneously with the execution hereof securing payment of said installment promissory note for the sum of Twelve Thousand Seven Hundred Fifty ($12,750.00) Dollars.

To have and to hold *the same unto the said part* y *of the second part, executors, administrators and assigns forever. And* does *for* its *heirs, executors and administrators, covenant and agree, to and with the said part* y *of the second part, to warrant and defend the sale of the aforesaid* machinery, equipment, fixtures and other chattels *hereby sold unto the said part* y *of the second part,* its successors ~~executors, administrators~~ *and assigns, against all and every person and persons whomsoever.*

In Witness Whereof, *have hereunto set hand and seal the* *day of* September *in the year one thousand nine hundred and* Sixty Eight.

KORDEEN MFG. CO., INC.

Sealed and delivered in the presence of }

By [signature] Pres.

HARK-KOH MFG Co HERKIMER N.Y.

INVENTORY. AUG 1-1968 - MACHINES

230a

	SINGER 241-11	SINGER 241-12	SINGER 241-12	SINGER 241-13
1	AG 760889	AG 476935	AH 348170	AG 468527
2	" 496647	AH 348594	AH 347925	
3	" 496492	AH 347617	AG 951434	
4	" 761542	AG 951945	AH 102253	
5	" 499048	AG 948243	AH 348093	
6	" 760994	AG 948057	AH 360814	
7	" 496826	AG 949011	AG 945768	
8	" 596907	AG 501969	AG 747726	
9		AG 947929	AH 110291	
10		AG 951572	AG 501280	
11		AG 954242	AG 600	
12		AG 467432	AH 347891	
13		AH 098776	AG 754183	
14		AH 348119	AG 948205	
15		AG 469337	AG 596240	
16		AH 104676	AG 949412	
17		AG 948998	AG 940414	
18		AH 105336		
19		AG 599955		
20		AH 348962		
21		AG 954031		
22		AH 103268		
23		AG 947707		
24		AH 849316		
25		AH 347981		
26		AG 600724		
27		AG 943800		
28		AG 471037		
29		AH 348635		
30		AH 101705		
31		AG 952037		
32		AH 111163		
33		AH 110226		
34		AH 104425		
35		AG 951290		
36		AG 952737		
37		AG 943296		
38		AG 461599		
39		AJ 028755		
40		AG 945239		
41		AH 106561		
42		AG 748017		
43		AG 595448		
44		AG 754233		
45		AG 946735		

INVENTORY - AUG-1-1968 MACHINE: 231a

SINGER - MULTIPULE NEEDLE SHIRRER

" 95-42 - EDGECUTTER AD 991569

" 111 W 103 - WALKING FOOT W 772008

LEWIS - BLIND STITCH 150 W 2 #1504748

BLIND " 150 W 2 #1504884

BLIND " 150 W 2 #1504641

U.S BLIND " 118-1

(4) UNION SPECIAL - NEEDLE FEED 6390 B

MERROW - OVERLOCK 91120 A 30 W 1 -

ON-SINGLE MOTOR TABLES

SINGER - 240 W 3 RIBBON SEWER

241-11 " " AG 496792 (2)

SINGER - 175-61 BUTTON SEWER

175-61 "

175-61 "

175-61 "

175-61 " (5)

(14)

~~SINGER~~ ~~SNAP MACHINE - [illegible]~~ cut -

" 246-3 - 3 THREAD OVERLOCK (1)

REECE MODEL 5-2 BH BUTTON-HOLE 29581

" " 5-2 11910

U.S. PINKER - MODEL 54400 K

" " " 54400 K (2)

UNION SPECIAL OVERLOCK - 39500 W - #887215 (2)

" " LOOP MACHINE NZ 52700

GALKIN ret. [illegible]

INVENTORY- AUG-1-1968

MISC.

1-	BOILER - STEAM-MASTER	H.P 1973	# 64008	650-
1-	BOILER " "	H.P. 18	# 11502	
8-	REIMER HAND IRONS			
1-	TRIM-MASTER THREAD CLEANER -	# 3511		
1-	C R A " "	V 2759		
1-	TRIMCO	DU 218		
1-	GLOMARK - BUTTON MARKER			
2-	COLLAR-TURNERS			
1-	BELT "			
1-	SIMPLEX - TIME CLOCK			
2-	BAGGING MACHINES (UPRIGHT)			
1-	PRESSING MACHINE - HOFFMAN -			
10-	PRESSING BOARDS - (METAL)			
135-	FLURECENT LIGHT FIXTURES	fixtures		
4-	LARGE FLOOR FANS (ELECTRIC)			
5-	EXHAUST FANS			
2-	DRESS FORMS -			
1-	WATER FOUNTAIN			
100-	STEEL CHAIRS			
100	WORK BOXES			
30	DRESS RACKS			
20	WORK TRUCKS			

# 1- ROW-	14	MACHINE TOPS-	SAFETY	TABLES	COMPLETE -	1½	HP MOTOR	#	23259
		"	"	"	"	1½	"	"	80287
# 2 "	14	"	"	"	"	1½	"		70892
		"	"	"	"	1½	"		712891
# 3- "	16	"	"	"	"	1½	"		24162
		"	"	"	"	1½	"		26163
# 4- "	16	"	"	"	"	1½	"		24163
		"	"	"	"	1½	"		24163
# 5 "	16	"	"	"	"	1½	"		24163
		"	"	"	"	1½	"		24164
# 6 "	16	"	"	"	"	1½	"		23260
		"	"	"	"	1½	"		23260

[illegible]

9 V
1 V
1/4 +

INENTORY AUG 1- 1968 233a

OFFICE EQUIPMENT

3- DESKS - WOOD
1- " METAL
4 CHAIRS -

1- COMPUTOR -
2- ADDING MACHINES
1- TYPEWRITER
1- BILLING MACHINE

CUTTING DEPT EQUIPMENT

BEAVER - CUTTING MACHINES 8" #
1 AC 110 - 1 PHASE - 60 CYCLES # AA 792
1 ~~BE~~ AA 300
1 JRE 2005

BEAVER - " " ROUND KNIFE 5" -
1 ROUND KNIFE - AC110 - # KB 907
EASTMAN - HOLE DRILL (KNOTCHER) #CD 202

CRA (ELECTRIC) STRETCHING MACHINE - 60 INCH
~~HE~~ E 885

14 sections

METAL SPREADING ADDING TABLE
17 YDS - 14" X 72" INCHES wide (14 METAL CEES)

All electrical fixtures, lights etc not on premises

SCHEDULE OF THE FOREGOING BILL OF SALE

STATE OF
COUNTY OF } ss.:

being duly sworn, deposes and says that h reside at

That h the same person who executed the within bill of sale.

That h the sole and absolute owner of the property described in said bill of sale, and ha full right to sell and transfer the same.

That the said property, and each and every part thereof, is free and clear of any liens, mortgages, debts or other encumbrances of whatsoever kind or nature except,

That h not indebted to any one and ha no creditors.

That there are no judgments existing against h in any court, nor are there any replevins, attachments or executions issued against h now in force; nor has any petition in bankruptcy or arrangement proceedings been filed by or against h ; nor ha h taken advantage of any law relating to insolvency.

That this affidavit is made for the purpose and with the intent of inducing

to purchase the property described in said bill of sale, knowing that h will rely thereon and pay a good and valuable consideration therefor.

Sworn to before me this
day of 19 . } .....

STATE OF NEW YORK
COUNTY OF Herkimer } ss.:

, being duly sworn deposes and says:

That he is of KORDEEN MFG. CO., INC.

a corporation organized under the laws of the State of New York , and having its principal office at 420 East German Street, Herkimer, New York

That the corporation is now the sole owner of all of the goods and chattels described and more specifically enumerated in the schedule hereto annexed and made part of the foregoing bill of sale.

That your deponent states that there are no mortgages, liens, conditional sales agreement or other encumbrances of whatever nature or description affecting the said goods and chattels set forth in the foregoing schedule and that they are absolutely free and clear thereof, ~~except~~

That the corporation is not indebted to any one and has no creditors ~~xxxxx~~

That there are [illegible] against the corporation in any court, nor are there any replevins, judgments or executions [illegible] the corporation now in force, nor has any petition in bankruptcy or arrangement proceedings been filed by or against the corporation; nor has the corporation taken advantage of any law relating to insolvency.

That this affidavit is made for the express purpose and with the intent of inducing

[illegible] KOHN MFG. CO. INC.

to purchase the property [illegible] described in the foregoing bill of sale, knowing full well that ~~xx~~ it will rely upon this affidavit and pay a good and valuable consideration.

Sworn to before me this 3.5.68
day of September 1968 } KORDEEN MFG. CO., INC.
By [illegible] Pres.

[illegible]
Notary Public

STATE OF
COUNTY OF } ss.:

On the day of nineteen hundred and

before me came

to me known and known to me to be the individual described in, and who executed, the foregoing instrument, and acknowledged to me that he executed the same.

STATE OF NEW YORK
COUNTY OF } ss.:

On the day of September nineteen hundred and Sixty-eight

before me came to me known, who,

being by me duly sworn, did depose and say that he resides at No.

that he is the of KORDEEN MFG. CO., INC.

the corporation described in, and which executed, the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of Directors of said corporation; and that he signed his name thereto by like order.

KORDEEN MFG. CO., INC.

TO

HARKAVY &
KOHN MFG. CO.

Bill of Sale

Dated, ..., 1968.

DEFENDANTS' EXHIBIT E
UNAUDITED CONSOLIDATED BALANCE SHEET OF
APPAREL INDUSTRIES AS OF DEC. 31, 1970 and
CONSOLIDATED STATEMENT OF INCOME
PREPARED BY ROGOFF & CHANIN.

ROGOFF & CHANIN
CERTIFIED PUBLIC ACCOUNTANTS
11 WEST 42nd STREET
NEW YORK, N.Y. 10036
LACKAWANNA 4-1867

SAMUEL ROGOFF, C.P.A.
AARON CHANIN, C.P.A.
MAURICE ROSEN, C.P.A.
JOEL H. FINE, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

237a E

February 22, 1971

Apparel Industries, Inc.
1407 Broadway
New York, N.Y.

Gentlemen:

The accompanying Consolidated Balance Sheet of Apparel Industries, Inc. as at December 31, 1970 and the Consolidated Statement of Income for the year then ended have been prepared from the books and records of the company and accordingly we do not express an opinion in respect to them.

Respectfully submitted,

ROGOFF & CHANIN

Rogoff & Chanin

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1970

	Apparel Industries Inc.	Sporteens, Inc.	Gotham Knitting Mills, Inc.	Morrison Knitwear Co., Inc.	Kordeen Mfg. Co., Inc.	Ann Marie Inc.	Eliminations	Consolidated
ASSETS								
Current Assets								
Cash	$ 4,498.83	$ 238,717.40	78,412.20	$ 29,766.58	$ 12,012.24	$	$	$ 363,407.
Accounts Receivable		126,593.79	774,715.66	179,428.75	363,855.80			1,444,594.00
Reserve for Bad Debts		(3,410.19)		(17,292.59)				(20,702.78)
Reserve for Sales Discounts		(9,000.00)	(62,000.00)	(13,750.00)	(28,000.00)			(112,750.00)
Net Accounts Receivable		114,183.60	712,715.66	148,386.16	335,855.80			1,311,141.
Merchandise Inventory		132,050.00	590,884.00	56,609.00	106,280.00			885,823.
Prepaid Expenses			1,000.00	751.49				1,751.
Claims Receivable			32,125.26					32,125.
Total Current Assets	4,498.83	484,951.00	1,415,137.12	235,513.22	454,148.04			2,594,248.
Fixed Assets - Net of Depreciation		3,736.46	5,420.33	316,637.88				325,794.
Investments in Subsidiaries - Note 9	2,561,948.28	7,012.45					a.(2,568,960.73)	
Other Assets								
Security Deposits		425.00	1,410.00	1,328.32				3,163.
Deferred Charges	2,000.00							2,000.
Due from Affiliates	7,500.00	887,574.33		354,119.64	125,041.67	7,021.41	b.(1,381,257.05)	
Officers Life Insurance		18,920.74						18,920.
TOTAL OTHER ASSETS	9,500.00	906,920.07	1,410.00	355,448.16	125,041.67	7,021.41		24,084.
TOTAL ASSETS	2,575,947.11	1,402,619.98	1,421,967.45	907,599.26	579,189.71	7,021.41		2,944,127.
LIABILITIES & SHAREHOLDERS EQUITY								
Current Liabilities								
Notes & Trade Acceptances Payable			178,452.50					178,452.
Notes Payable - Other (Note 5)	976,376.00							976,376.
Accounts Payable - Trade		60,888.18	96,662.99	32,470.98				190,022.
Taxes and Expenses Payable	2,400.00	48,399.68	63,926.99	7,120.42	9,841.79	125.00		131,813.
Federal Income Tax (Note 2)		900.00	2,100.00		300.00			3,300.
Total Current Liabilities	978,776.00	110,187.86	341,142.48	39,591.40	10,141.79	125.00		1,479,964.
Other Liabilities								
Due to Affiliates	323,224.96	28,190.02	661,692.07		368,150.00		b.(1,381,257.05)	
Notes Payable-(Note 5)-Other(Less Current Portion)	164,180.00							164,180.00
Mortgages Payable-Lincoln Savings Bank				103,653.80				103,653.80
-N.J. Job Development Authority				86,562.66				86,562.66
Total Other Liabilities	487,404.96	28,190.02	661,692.07	190,216.46	368,150.00			354,396.
Total Liabilities	1,466,180.96	138,377.88	,002,834.55	229,807.86	378,291.79			1,834,360.9
Shareholders Equity								
Capital Stock-Issued & Outstanding 214,029 (Note 4)	214,029.00	260,000.00	150,000.00	39,537.00	162,000.00	6,500.00	a.(618,037.00)	214,029.00
Capital Surplus -(Note 3)	856,058.11	415,751.00		314,244.00		16,153.87	a.(1,343,014.78)	259,192.20
Retained Earnings - Exhibit B	39,679.04	588,491.10	269,132.90	324,010.40	38,897.92	(15,757.46)	a.(607,908.95)	636,544.95
Total Shareholders Equity	1,109,766.15	1,264,242.10	419,132.90	677,791.40	200,897.92	6,896.41		1,109,766.
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	$ 2,575,947.11	$ 1,402,619.98	$,421,967.45	$ 907,599.26	$ 579,189.71	7,021.41		$ 2,944,127.

	Apparel Industries Inc.	Sporteens Inc.	Otham Knitting Mills, Inc.	Morrison Knitwear Co., Inc.	Kordoon Mfg. Co., Inc.	Ann-Marie Sportswear Inc.	Korday Fashions Inc.	Sylva Knitwear Mills, Inc.	Jerry Marks Inc.	Sportogs Inc.	Eliminations	Consolidated
Gross Sales	$	$1,360,333.23	$4,426,168.76	$1,215,019.79	$914,881.80	$	$	$	$	$	$	$7,974,403.58
Less: Sales Returns		80,650.95	308,530.03	101,538.81	74,594.44						565,114.23	
Sales Discounts		83,794.18	263,732.20	51,401.54	62,495.57						461,423.49	
Total		164,445.13	572,262.23	152,940.35	136,890.01							1,026,537.72
Net Sales		1,195,888.10	3,853,906.53	1,120,079.44	777,991.79							6,947,865.86
Cost of Goods Sold-Schedule B-1		820,787.10	2,961,668.24	814,302.28	557,718.00						1,015 (c)	5,155,490.62
Gross Profit on Sales (Before Manufacturing Overhead)		375,101.00	892,238.29	305,777.16	220,273.79							1,792,375.24
Manufacturing Overhead												
Manufacturing Costs-Sch. B-2		16,909.04			13,270.00						(4,200)(e)	25,979.04
Designing & Production Costs.Sch.B-3		9,734.09	74,673.34	5,472.55	31,241.90						1,015 (c)	120,106.88
Total Manufacturing Overhead		26,643.13	74,673.34	5,472.55	44,511.90							146,085.92
Gross Profit on Sales		348,457.87	817,564.95	300,304.61	175,761.89							1,646,289.32
Operating Expenses												
Selling-Sch.B-4		109,802.31	233,647.73	91,024.16	34,094.43							468,568.63
Shipping-Sch.B-5		90,450.42	283,703.05	89,267.26	63,251.48						4,200(e)	530,872.21
Gen. & Adm.-Sch. B-6	150.00	91,307.80	173,151.59	47,141.25	57,034.90		100.00		83.33	81.05		369,049.92
Total Operating Expenses	150.00	291,560.53	690,502.37	227,432.67	154,380.81		100.00		83.33	81.05		1,368,490.76
Income From Operations Before Income Taxes	(150.00)	56,897.34	127,062.58	72,871.94	21,381.08		(100.00)		(83.33)	(81.05)		277,798.56
Income Taxes												
Federal		900.00	2,156.03		300.00							3,356.03
N.Y.S. Franchise	1,636.00	2,658.33	7,614.45	1,086.62	1,632.46	100.00	168.93		127.51	115.68		15,139.98
N.Y.C.Corporation	1,941.85	2,302.03	5,979.48	878.71	1,000.00	25.00	75.64		169.93	108.25		12,480.89
Total Income Taxes	3,577.85	5,860.36	15,749.96	1,965.33	2,932.46	125.00	244.57		297.44	223.93		30,976.90
Net-BeforeOther Income	(3,727.85)	51,036.98	111,312.62	70,906.61	18,448.62	(125.00)	(344.57)		(380.77)	(304.98)		246,821.66
Other Income												
Gain on Sale of Fixed Assets		4,082.31										4,082.31
Interest	(5,090.12)	1,724.94			2,011.42		2,139.47		3,124.01	2,121.03		6,030.75
Dividend	5,200.00	1,800.00		47.20							7,000(1)	47.20
Adjustment of Prior Years Tax		692.40							(736.96)	(22.79)		(67.35
Partnership Distributive Share									454.97			454.97
Officers Life Ins.Premiums		(1,670.50)										(1,670.50
Net Other Income	109.88	6,629.15		47.20	2,011.42		2,139.47		2,842.02	2,098.24	7,000	8,877.38
Net Income	(3,617.97)	57,666.13	111,312.62	70,953.81	20,460.04	(125.00)	1,794.90		2,461.25	1,793.26	7,000	255,699.04
Retained Earnings-Beginning	107,297.01	401,089.66	157,820.28	16,434.53	18,437.88	(15,632.46)	14,703.15	236,622.06	99,771.11	16,211.64	607,908.95(a)	444,845.91
TOTAL	103,679.04	458,755.79	269,132.90	87,388.34	38,897.92	(15,757.46)	16,498.05	236,622.06	102,232.36	18,004.90	614,908.95	700,544.95
Less: Portion of Common Stock Redeemed Charged to Earned Surplus	64,000.00											64,000.00
Add: Merger of Sportogs,Inc. into Sporteens,Inc.		16,104.90					1,800.00		3,300.00	1,900.00	7,000 (1)	
of Korday into Sporteens,Inc.		14,698.05								(16,104.90)		
of Jerry Marks,Inc.-Sporteens,Inc.		98,932.36					(14,698.05)					
of Sylvan Knitwear into Morrison Knitwear Co.,Inc.				236,622.06				(236,622.06)	(98,932.36)			
RETAINED EARNINGS-END	$ 39,679.04	$ 588,491.10	$ 269,132.90	$ 324,010.40	$ 38,897.92	(15,757.46)	-	-	-	-	607,908.95	$ 636,544.9

DECEMBER 31, 1970

Schedule B-2	Sporteens Inc.	Gotham Knitting Inc.	Morrison Knitwear Co., Inc.	Kandoian Mfg. [illegible] Inc.	Eliminations		Consolidated
Manufacturing Costs							
Rent	$ 6,725.29	$	$	[illegible],850.00		(b)(2,850)	$ 2,525.29
Repairs & Maintenance-Machinery	9,033.11					(e) 4,200	9,033.11
Production Salaries	11,175.00			9,150.00		(b)(9,150)	11,175.00
Rental of Machinery	203.51						203.51
Cleaning & Sanitation	1,615.64			585.00		(b) (585)	1,615.64
Telephone	70.85			400.00		(b) (400)	70.85
Protection	505.64			285.00		(b) (285)	505.64
Payroll Taxes	850.00						850.00
Total	30,179.04			13,270.00		(17,470)	25,979.04
Less: Manufacturing Costs Allocated to Affiliates	13,270.00				(b)13,270		
Total Manufacturing Costs	16,909.04			13,270.00	13,270	(17,470)	25,979.04
Designing & Production Costs							
Schedule B-3							
Production Salaries		35,307.00					35,307.00
Designers Salaries	7,980.00	16,720.00		15,425.00		(c)(6,800)	33,325.00
Sample Hands Salaries	8,528.90			4,850.00		(c)(4,850)	8,528.90
Outside Samples, Designs, Sketches	4,732.97	5,017.80	3,072.55	6,576.70		(c)(4,861)	14,539.02
Sample Cuts	3,137.22	6,742.71		2,746.45		(c)(154)	12,472.38
Payroll Taxes	1,700.00	4,300.00					6,000.00
Modeling Fees				948.75			948.75
Auto Expense		5,407.77		695.00		(c) (695)	5,407.77
Production Expense		1,178.06	2,400.00				3,578.06
Total	26,079.09	74,673.34	5,472.25	31,241.90		17,360	120,106.88
Less: Designing & Production Costs Allocated to Affiliates	16,345.00				(c)16,345		
Total Designing & Production Costs	9,734.09	74,673.34	5,472.55	31,241.90	16,345	17,360	120,106.88
Schedule B-4							
Selling Expenses							
Selling Salaries	30,004.00						30,004.00
Sales Commissions	6,002.85	101,322.26	23,340.95	300.00			130,966.06
House Salesmens Salaries	77,801.04	67,507.00	44,144.00	20,000.00		(f)(26,200)	183,252.04
Travel & Entertaining	9,605.80	18,298.37	7,809.18	5,373.63		(f) (445)	40,641.98
Advertising	2,098.75	22,886.01	5,363.94	3,770.80			34,119.50
Rent & Electric	26,820.36	16,000.00	4,000.00	3,000.00		(f) (23,000)	26,820.36
Gifts	2,124.51	3,984.09	1,820.00	1,390.00			9,318.60
Show Expenses		450.00	313.15				763.15
Payroll Taxes	4,250.00	3,200.00	842.68				5,292.68
Auto Rental Expense	1,000.00		3,390.26	260.00		(f) (260)	4,390.26
Total	159,707.31	233,647.73	91,024.16	34,094.43		(49,905)	465,563.63
Less: Expenses Allocated to Affiliates	49,905.00				(f) 49,905		
Total Selling Expenses	109,802.31	233,647.73	91,024.16	34,094.43	49,905	49,905	465,568.63

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CONSOLIDATED SCHEDULES
DECEMBER 31, 1970

Schedule B-5	Apparel Industries Inc.	Sporteens Inc.	Gotham Knitting Mills, Inc.	rlson twear ., Inc.	Kordeen Mfg. Co., Inc.	Korday ashions Inc.	Jerry Marks Inc.	Sportogs Inc.	Eliminations		Consolidated
Shipping Expenses											
Shipping Salaries	$	$ 109,834.56	$ 218,024.18	1,820.16	$ 54,861.00	$	$	$	$	(d)(114,236)	$ 330,303.90
Rent & Utilities		5,800.00	28,427.05							(e) 29,800	4,427.05
Boxes & Shipping Supplies		13,406.71	19,657.25	5,454.86							38,518.82
Freight Out		23,870.15	41,224.78	8,272.67	8,390.48					(d) (11,000)	70,758.08
Union Benefits			24,974.79	856.42							25,831.21
Payroll Taxes		3,400.00	10,770.00								14,170.00
Building Expense				2,863.15					(e) 34,000		46,863.15
Total		156,311.42	343,070.05	9,267.26	63,251.48				34,000	(155,036)	530,872.21
Less: Shipping Expenses Allocated to Affiliates		65,861.00	59,375.00						(d)125,236		
Total Shipping Expenses		90,450.42	283,703.05	9,267.26	63,251.48				159,236	155,036	530,872.21
Schedule B-6											
General & Administrative Expenses											
Officers Salary		36,000.00	30,000.00		29,000.00						95,000.00
Office Salaries		26,716.40	52,477.60	1,173.00	10,165.00					(g) (6,500)	104,032.00
Telephone		4,579.27	13,054.22	3,268.15	2,350.00					(g) (2,350)	20,701.64
Stationery and Printing		3,521.08	3,537.43	2,244.36	850.44					(g) (825)	9,328.31
Postage		762.63	1,000.42	804.02	270.00					(g) (270)	2,566.77
Professional	150.00	4,011.29	11,233.33	3,851.83	1,939.50	100.00	83.33	81.05		(g) (700)	20,750.33
Cleaning & Sanitation		1,535.39	1,599.65	482.74	600.00					(g) (600)	3,617.78
General Expense		3,868.58	5,063.03	1,184.93	791.28					(g) (700)	10,207.82
Porters Salary		2,058.75	3,090.00		780.00					(g) (780)	5,148.75
Credit & Collection		737.60	2,764.28	1,452.49	375.00					(g) (375)	4,954.37
Group & Disability Insurance		5,170.93		1,339.86	1,198.55					(g) (1,175)	6,534.34
General Insurance		10,737.14	22,706.54	3,910.90	4,783.07					(g) (2,400)	39,737.65
Payroll Fees		95.15	1,383.84	620.00							2,098.99
Dues and Subscriptions		1,132.04	1,293.89		261.90					(g) (170)	2,517.83
Payroll Taxes		5,267.58	3,271.80	625.00	1,220.16						10,384.54
General Taxes		1,408.62	1,009.76	105.00							2,523.38
Interest			7,035.13	232.47	2,150.00					(g) (2,150)	7,267.60
Depreciation		1,109.75	1,599.83	3,758.25							6,467.83
Bad Debts		603.60	766.85								1,370.45
Contributions		1,287.00	1,360.00	25.00							2,672.00
Moving			4,166.00								4,166.00
Repairs, Maintenance, Protection			4,738.29	2,063.25	300.00					(g) (300)	6,801.54
Total	150.00	110,602.80	173,151.59	7,141.25	57,034.90	100.00	83.33	81.05		(19,295)	369,049.92
Less: General & Administrative Expenses Allocated to Affiliates		19,295.00							(g)19,295		
Total General & Administrative Expenses	150.00	91,307.80	173,151.59	7,141.25	57,034.90	100.00	83.33	81.05	19,295	19,295	369,049.92

APPAREL INDUSTRIES, INC. & WHOLLY OWNED SUBSIDIARIES

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NOTES TO CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1970

Principles of Consolidation:

NOTE 1 - The consolidated balance sheet includes the account of the company and all its subsidiaries as at December 31, 1970. Intercompany accounts have been eliminated.

NOTE 2 - The company files a consolidated federal tax return. The provision for this years tax is $3,300 on income of $255,700, because of the net operating loss carryforward available from the loss sustained in 1969.

NOTE 3 - During 1970 the following subsidiaries were merged:

1 - Sylvan Knitwear Mills, Inc. with Morrison Knitwear Co., Inc. into Morrison Knitwear Co., Inc. - March 1970

2 - Korday Fashions, Inc. with Sporteens, Inc. into Sporteens, Inc. - December 1970.

3 - Sportogs, Inc. with Sporteens, Inc. into Sporteens, Inc. - December 1970.

4 - Jerry Marks, Inc. with Sporteens, Inc. into Sporteens, Inc. - August, 1970.

NOTE 4 - The following redemptions and additions to capital took place in 1970:

a - Redemptions

Date	# of Shares	Value
Jan. 4, 1970	15,000	$ 60,000
5/14/70	3,000	13,290
Dec. 1970	5,000	25,000
Dec. 1970	231,336	1,156,680 (see Note 5)

b - Additions

On November 30, 1970 544 shares were sold for $2,520.00.

NOTE 5 - Mr. Samuel M. Elowsky - principal shareholder and president of Apparel Industries, Inc. made a partial redemption of shares he owned directly and/or indirectly as follows:

Samuel M. Elowsky	110,000
Isabella Elowsky	56,336
Elowsky Foundation	12,000
Members of Family	53,000
Total Shares	231,336 @ $5.00=$1,156,680.

This redemption was paid for with a cash down payment of $200,00 and notes

due during 1971 of $792,500. The balance of $164,180 is due in 1972.

NOTE 6 - Notes Payable - Other - are due to:

Samuel M. Elowsky (see Note 5)	$ 792,500
Hannah Rosen	83,876
Seymour Bag (see Note 7)	100,000
	$ 976,376

NOTE 7 - In January 1971 the following changes took place in the capital structure of the Parent.

a - The Certificate of Incorporation was restated to provide capital stock of 930,000 shares of which 850,000 shares are common shares at a par value of $1.00 each and 80,000 are preferred shares. The preferred shares are 5% cumulative non-voting shares at a par value of $25.00 each.

b - Seymour Bag purchased 20,000 shares common @ $5 per share ($100,000). These funds had been loaned to the corporation in December 1970.

c - After various shareholders exchanging their common shares for preferred shares, the current stockholdings are as follows:

	Common	Preferred
Samuel M. Elowsky et al	32,000	20,040
Harold Rosen et al	20,000	10,765
Max D. Jaffe	8,000	
Seymour Bag	20,000	
Totals	80,000	30,805

NOTE 8 - In February 1971 Kordeen Mfg. Co. was merged with Sporteens, Inc. into Sporteens, Inc. Trousers-Up, Sales agency for Kordeen Mfg. Co. had sales of $771,991.79 to December 31, 1970. The net worth of Kordeen Mfg. Co. as of December 31, 1970 was $200,897.92.

NOTE 9 - The investments in subsidiaries has been increased by $790,154.78 on the books of Apparel Industries, Inc. to reflect the increase in book value of the subsidiaries. This amount has been eliminated on the consolidated statement from capital surplus.

DEFENDANTS' EXHIBIT F
WAIVER OF MEETING OF SHAREHOLDERS
HELD ON MARCH 10, 1969

244a

Apparel Industries Inc.

We the undersigned, Shareholders, hereby waive all Statutory By-Law requirements of meeting held on March 10 - 1965

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
DEC 30 1976

DEFENDANTS' EXHIBIT G

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS OF APPAREL INDUSTRIES HELD ON JANUARY 15, 1970

Pltf's Deft's Ex. 12 For Ident
6/18/1974 Donna A. Metz

245 a

MINUTES OF A SPECIAL MEETING
-of-
BOARD OF DIRECTORS
-of-
APPAREL INDUSTRIES, INC.

A Special Meeting of the Board of Directors of APPAREL INDUSTRIES, INC., was held at the office of the corporation, 1407 Broadway, New York, New York, on the 15th day of January, 1970, at 10:00 o'clock in the forenoon.

The Directors were present.

Mr. S. M. Elowsky acted as Chairman and Max Damashefsky acted as Secretary of the meeting.

Mr. Elowsky presented to the meeting a Waiver of Notice of this meeting, signed by the directors and it was ordered appended to the minutes of this meeting.

The Chairman stated that the meeting would take up for consideration and act upon an offer of Abner Harkavy to sell to the corporation 3,000 shares of common stock of this corporation for the sum of $4.43 a share.

The matter was duly considered. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the offer of Abner Harkavy to sell to the corporation 3,000 common shares of the corporation, par value $1.00 each at the price of $4.43 per share be, and the same is hereby accepted, and it was further

RESOLVED, that the appropriate officers of this corporation be, and they hereby are authorized to make payment of the purchase price upon delivery of the shares purchased, and it was further

RESOLVED, that upon acquisition by this corporation of the aforesaid shares, that said 3,000 shares of common stock be cancelled and restored to the status of authorized and unissued shares of the corporation.

There being no further business to come before the meeting, the meeting adjourned.

Secretary

Chairman

Service of three (3) copies of the within
is hereby admitted

this 13th day of July 1977

.....

Attorney(s) for Defendants - Appellees

2 COPIES RECEIVED HAND MAIL

WARSHAW, SYLVESTER, BURSTEIN & FRANKS

ATTORNEYS FOR Defendants-Appellees

DATE 7/13/77 3:40 P.M.